

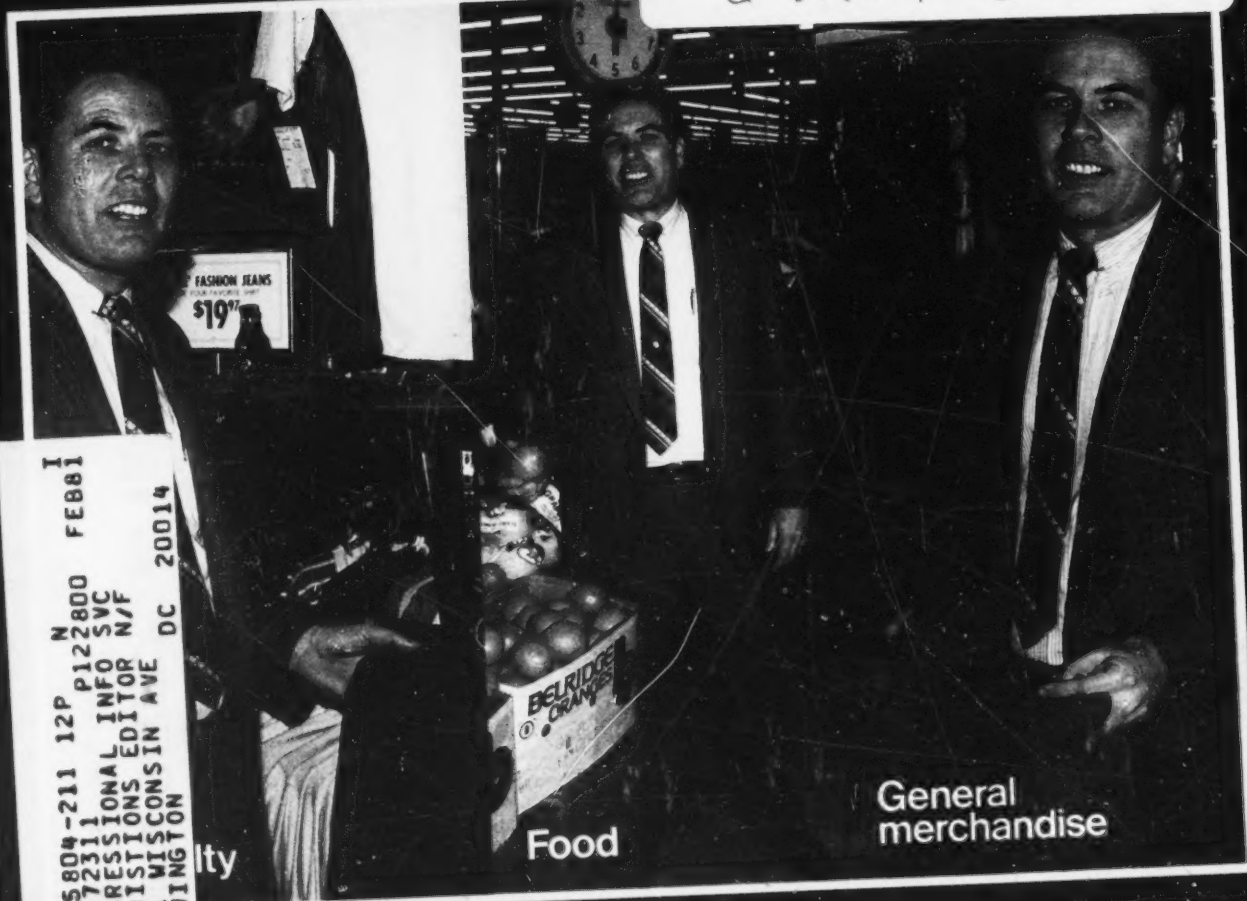
Why the industry looks west for tomorrow's ideas
Scan/analysis: Today's big payback

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

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CEO Don Ritchey

Lucky Stores plots 3 routes to make \$10 billion

33 Special Report: America looks west

West Coast food retailing has become synonymous with innovation in the last 20 years. This month CSA analyzes five key market areas and shows who's getting the biggest slice of the pie—and why.



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America looks west for market leadership

West Coast supermarketers have provided the best in profit-building ideas since the early 60's

□ In both good economic times and bad, West Coast supermarket operators have shown the rest of the industry the road to prosperity. The new approaches and directions developed in this region have consistently marked the way to higher sales and profits for retailers throughout the United States.

California's unprecedented growth created a climate in which many of the basics of what most retailers think of as the modern supermarket business first saw the light of day.

Forced to operate in the extremely fluid California environment, retailers have learned to put a premium on innovative and fresh approaches to solving merchandising and operations problems.

During the breakneck expansion period in the 1960's and early 1970's, western supermarketers pioneered while most supermarket executives still tried to navigate by "seat of the pants" reckoning.

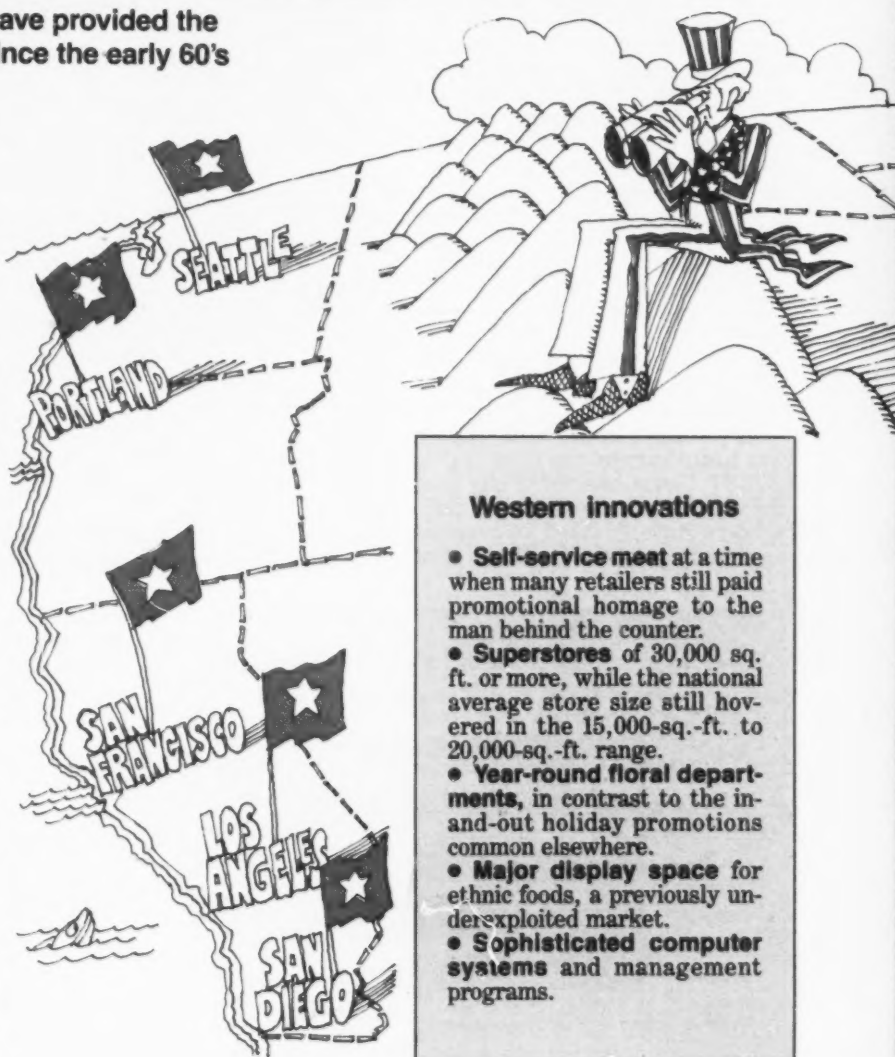
The mid-1970's ushered in a period of slower growth. There were still 500,000 new Californians every year, but worries about overstoring began to surface.

Western supermarketers responded every which way to increased cost and double-digit inflation. Up and down the coast they diversified into superstores, combination units, warehouse markets, limited assortment stores and more service-oriented conventional supermarkets.

Operators in other regions have made similar moves, but nowhere are the stakes higher than in the West, because the region's share of total United States food sales has steadily climbed. *Sunset* magazine research pegs the West's 1979 share of total retail food sales at more than 20% of total United States volume of \$168 billion.

A food retailer must be good to survive in this type of environment, with its intense competition and rapid swings in consumer preferences.

West Coast supermarketers have not only survived, they have prospered. So it's little wonder that the rest of the nation's retailers look West for the best in profit-building ideas. □



Western innovations

- **Self-service meat** at a time when many retailers still paid promotional homage to the man behind the counter.
- **Superstores** of 30,000 sq. ft. or more, while the national average store size still hovered in the 15,000-sq.-ft. to 20,000-sq.-ft. range.
- **Year-round floral departments**, in contrast to the in-and-out holiday promotions common elsewhere.
- **Major display space** for ethnic foods, a previously underexploited market.
- **Sophisticated computer systems** and management programs.

Vons takes leader's role in Los Angeles

□ This could be the year all the groundwork pays off big for Vons. The chain culminated a three-year drive to the top in 1979—from fourth place to a hotly contested first in share of market—and recorded sales of \$1.5 billion.

Vons, with a 14.4% share, leads Alpha Beta with 13.3%. Breathing hard on the neck of the leaders in this extremely competitive market is Ralphs with 13.2%.

"Vons has the momentum and the financial resources of Household Finance behind it," says a former member of the El Monte, Calif., operation's management team. "The halo effect has added believability to Vons' low-price claims and given

them first crack at the best locations."

"Vons has an excellent, if not individually outstanding, management team," observes a southern California retailer, "but they have an important plus in their president, Ken Olsen, who is hungry to maintain market dominance. Look for Vons to stay on top for many years."

Needless to say, competitors don't agree. Especially Ralphs. Byron Allumbaugh, Ralphs chairman, is annoyed at market-watchers for being so figure-blind. "In the last three years we opened four stores and closed one, while 100 stores opened all around us. But in 1980 we are opening 16, and a year from now

market share will be different."

Why did Ralphs put its new-store program on hold for three years? According to Allumbaugh, "We had expanded to northern California and needed time for digestion. We had severe problems with inner-city stores in 1976-77 and lost substantial amounts of money. And we opened a \$14 million meat plant in 1976. We needed to solve these problems and integrate the new plant before expanding further."

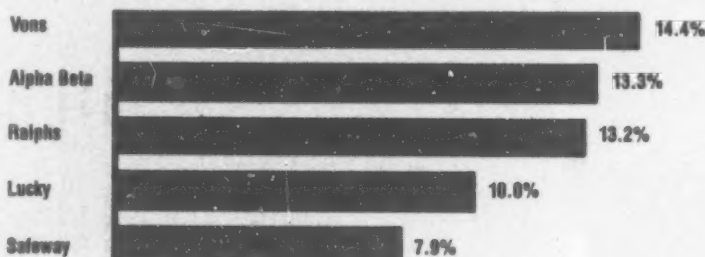
Problems at the meat plant were especially pernicious. Flaws in computer programming crippled operations for months. In a remarkable turnaround, the plant now processes over 60% of its output in retail packages. "That's more than anyone else in the country," Allumbaugh notes.

Allumbaugh admits that Ralphs was badly hurt by the price war of 1976-77. Some observers say that the chain's price image was damaged because it failed to respond aggressively. It's also alleged that



Vons leaps to No. 1

Market share



Source: Los Angeles Times Marketing Research Dept.

Federated Department Stores, Ralphs' performance-sensitive parent, vetoed new stores when the bottom line receded.

"Federated has been totally supportive in light of our progress," Allumbaugh says. "Otherwise why are we opening 16 new stores this year?"

Ralphs as innovator: Ralphs' formidable power as a market force has never been taken lightly. The 107-year-old chain pioneered the 30,000-sq.-ft.-plus store, hired the first outside design specialists for new stores, introduced generics in southern California, led the way with scanners (by July 1980, all 95 stores in southern California will be so equipped) and pioneered to promote the coupon and a half, which

later led to the widely adopted double coupons.

Market-watchers say that Ralphs is getting more competitive but that Lucky continues to be the price-setter, closely followed by Vons and Alpha Beta. Says Allumbaugh, "You've got to average all departments. Of the four top chains, we are the only ones with U.S.D.A. choice beef. We are not the cheapest in produce because we emphasize quality and larger sizes. But on branded merchandise, no one is lower."

An eye on Alpha Beta: Despite Ralphs' resurgence, Alpha Beta is the chain to watch, especially after the merger of its parent, American Stores, with Skaggs.

Alpha Beta's uniqueness is its



Competitive heat has spawned floral price points beyond \$45, bedsheets promoted from produce crates, market basket price comparisons, food clubs, winning cheese displays.

blend of tight control, rigid discipline and the most sophisticated distribution system in the West with the insouciance of a maverick who will try anything.

"You can't turn your back on Alpha," says a competitor. "because you never know when they will hit you with an idea that works even if it sounds wildly improbable at the time."

The archives are dotted with Alpha Beta ideas that have worked during its 79-year history: self-service, central deli kitchen, 75-ft. unbroken gondolas, floral depart-



ments, integration of food and nonfoods and in its superstores, a 1,200-sq.-ft. apparel department nestled in a cluster of high-profit departments such as greeting cards, floral, games-puzzles, appliances, pantyhose, sewing notions, stationery, domestics. In Cupertino, Calif., Alpha Beta replaced apparel with a Reading Center as an experiment.

In January 1976 the chain ignited



a two-year price war without advertising any prices. Every supermarket chain predicted disaster, but the other shoe never dropped. Instead, Alpha Beta slipped into the No. 2 spot.

"The reason for our increased market share," says Tom Field, Alpha Beta president, "is consistency as well as our everyday low-price program." Another contributory factor is number of stores—Alpha Beta operates at least 50 more in Los Angeles-Orange counties than other major competitors.

For all its strengths, Alpha Beta may have too many 23,500-sq.-ft. stores in areas laden with units over 30,000 sq. ft. In these markets Alpha Beta lacks the selection of its competitors.

Combo store debate: Alpha Beta is attempting to solve this problem by building new units in the 35,000-sq.-ft. class. Coming soon are combination stores for the Los Angeles market, structured along the lines of the 55,000- to 60,000-sq.-ft. stores the chain already operates in Nevada and Utah. The first of these jumbo-size units will open in Santa Monica in early 1981, and Alpha Beta has several more planned for the California and Arizona markets.

The advent of combo units should hasten the closing of many 23,000-sq.-ft. conventional supermarkets (averaging \$6 million in annual sales) in favor of the much larger stores, which could generate an an-

nual volume in excess of \$20 million.

Not all California retailers expect combination units to proliferate in the area. Says one, "Locations for that size store, capable of generating that kind of volume, are scarce. And the combos are enormously expensive. It takes \$250,000-\$275,000 per week just to break even."

Vons has shied away from full-fledged combos in favor of 36,000- to 40,000-sq.-ft. Value Centers. The chain has a dozen such outlets in southern California and plans to add five more in 1980. (Vons had tested a larger unit in Rancho Bernardo near San Diego but subsequently decided to try the smaller size.) Executive vice president and coo Jerry Fahey explains, "We feel the return on investment of a 36,000-sq.-ft. to 40,000-sq.-ft. store is equivalent to a 60,000 square-footer."

No chances at Lucky: Lucky, which grabbed the "discount" brass ring 10 years ago and honed it into a razor-sharp volume-builder, has not wavered from its original concept: low everyday prices, clean well managed stores—and no games, drawings or coupons. At Lucky, little is left to chance. The organization operates with a lean headquarters staff, excellent discipline and cost controls. Lucky carries a smaller selection of foods than Ralphs or Vons.

Lucky's market-share graph is misleading. Lucky ranked fifth with 10% for 1979, but its food departments in Gemco membership department stores account for 3% plus. By combining the two, Lucky is even with runners-up Alpha Beta and Ralphs.

Safeway makes a comeback: Rounding out the big five is Safeway, which has more stores in Los Angeles and Orange counties than either Vons or Ralphs, yet trails four principal competitors with 7.9%. Why?

Some factors working against Safeway: too much private label, not enough superstores and an overabundance of continuities, drawings and coupons that hurt the chain's pricing structure. Recently, Safeway has scissored some of the frills and is posting some better prices.

Many supermarketers are perplexed why Safeway ranked fifth in a *Los Angeles Times* meat study despite a strong meat image. (Safeway scored 7.8% compared to 13.2% for Vons, 11.9% for Ralphs, 11.7% for Alpha Beta and 8.9% for Lucky.)

"Safeway customers buy a lot of meat and fewer groceries," sug-

gests one retailer, "but its total meat sales still trail the other majors due to its lower customer count and store volume."

L.A. seesaw market: No fewer than 10 other operations are vying for a slice of the L.A. pie, and it's certainly a big one. Los Angeles and Orange counties, with a population of 9 million, rack up grocery sales of \$10 billion-\$15 billion annually. That's nearly 10% of national supermarket volume. Competition has been fierce, and it's no wonder that the market leadership has seesawed over the last decade, with no outfit able to command as much as 15% of the total area food dollar.

The competitive ferment has spurred much innovation over the years, including self-service meat, massive bulk produce, year-round floral and international food boutiques. While other regions of the country have recently taken the lead in store format experiments, the emphasis in the West has switched to development of sophisticated management systems. "Constant growth has resulted in constant infusion of new blood," notes Vons' Jerry Fahey. "Don Ritchey at Lucky and Peter Mago-wan at Safeway are good examples. There's upward mobility at every level as expansion continues. What's significant is that southern California management is not stagnant."

The chains' desire to trim labor costs puts them on a collision course with those favoring unit-pricing measures. Since California's unit-pricing statute expired in January, the Retail Clerks Union has carried its fight for such a measure to the municipal level. Four localities, including Los Angeles, have passed unit-pricing ordinances, three more are testing such a law for six months and four have rejected similar proposals.

This is a high stakes game, because of the labor savings price removal would make possible for scanner-equipped supers. "This isn't a local fight, it's a contagious disease," claims one supermarket. "The Retail Clerks have successfully put up a smokescreen, and they'll carry the fight throughout the nation. Here is a California 'first' no one in the industry is proud of."

The union has also been active picketing Jewel T limited assortment stores, which are not unionized. This has caused Jewel, which opened eight units in a single day, to take a wait-and-see attitude about further openings. □

Safeway fields superstores to hold market dominance in Bay area

□ Three major demographic trends are stirring the cauldron in this melting pot of the West:

1. Increased ownership of small food stores by Arab nationals.

2. The influx of superstores and combination units.

3. A continuing "white flight" to the suburbs, spurred by improved public transportation.

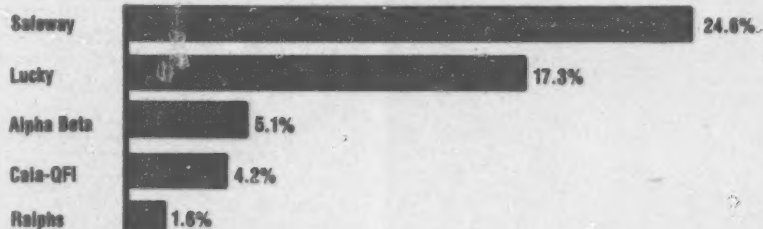
Actually, the San Francisco Bay area breaks down neatly into two separate markets. One is San Francisco itself, with the other composed of Alameda, Contra Costa, Marin and San Mateo counties.

The City, as natives call San Francisco, has few major chains (Safeway has 19 units and Lucky fields five), a smattering of 20,000-sq.-ft. independently owned supers, and 2,000 Mom and Pops of



San Francisco-Oakland market

Market share



Note: Chart does not include operations with less than 1.6% market share.

Source: Metro Guide Studies, Grocery Distribution Guide, Wellesley Hills, Mass

less than 2,000 sq. ft. (Arabs now own approximately 60% of these small stores, and retailers of Chinese extraction account for another 25% of the total.)

The dearth of chains in San Francisco is due to the hilly terrain. Flat land is scarce and expensive. As a result, there are more two-level-parking stores than elsewhere on the West Coast. Cala Foods does \$300,000 a week in a 16,000-sq.-ft. store in San Francisco but needs two-level parking to do it.

Superstore defense: Safeway, mindful of its failure to move quickly on superstores in other areas (notably Denver) is on a big-store spree here to protect its market dominance. As many as 20 superstores are currently in the pipeline—either in the planning stage, on the drawing board or under construction.

However, superstores aren't

Nutrition centers, cross-merchandised wine and goblet displays, booklets on preparation of exotic foods and "We'll pay 3¢ for your shopping bags" are West Coast firsts.

Safeway's only defense against competition. Most of its 118 units in the Bay area are clean, well-stocked and well-merchandised. In the past eight months Safeway has also put more spice into its ads. Being a bridge away from national headquarters in Oakland, the San Francisco division is at the ready.

Safeway will need to switch to red alert because Raley's, an invader from Sacramento, has opened four 55,000-sq.-ft. food/drug combos in this market, and there's more to come.

Raley's struck combo lightning in Sacramento several years ago. Now operating 30 stores in Sacramento-Reno-Tahoe, Raley's leads in market share.



Raley's was the innovator of the 800- to 1,000-sq.-ft. health food department (Safeway installed a similar one last December in the Alamo store near Walnut Creek), and is also strong in cosmetics (1,000 sq. ft.).



Safeway's service cheese islands show promise, and in general merchandise they have been probing stereo-sound, also service.

Fry's, a division of Dillon, has also dipped into the combo waters with three units, but unlike King Soopers, another Dillon division, Fry's combo performance has been lackluster.

Independents make it: As in southern California, chains are selling lower volume units to independents who can make it because they have virtually no corporate overhead.

Independents are installing scanners at an accelerated pace. A vet-

eran operator tells why: "Chains have sophisticated backup information that is generated by their in-house computers. The independents do not have that kind of data bank."

White flight to the suburbs continues, especially from Alameda County (80% of Oakland is now black). This has swelled bedroom communities, especially in Contra Costa County, 30 miles from San Francisco and 15 miles from Oakland. The population of Contra Costa (732 sq. mi.) went from 558,389 in 1979 to 635,300 in January 1980.

Contra Costa has economic diversification, heavy and light industry, office buildings and housing, providing fertile soil for supermarket growth.

All told, the fusion of the five counties of San Francisco-Oakland makes this area the nation's 8th largest food market, with a population of 3.2 million and food sales of \$2.8 billion. □

Three vie for No. 1 in San Diego

□ Times are changing in San Diego. The once-quiet Navy town, where retailers closed up shop whenever the fleet put to sea, is booming thanks to pollution-free industries like electronics and aerospace, and this \$1.5 billion market has become the focus of intense retailing competition.

San Diego County, with a population that has grown from 1 million three years ago to 1.8 million today, is generally perceived as an extension of the larger Los Angeles-Orange County market area located to its north.

The same Los Angeles barnburners—Safeway, Vons, Lucky, Fed-Mart, Alpha Beta and Mayfair—are right in the thick of things here, and Ralphs will be entering the fray with three supers this year. Safeway, Vons and Lucky (Food Basket and Gemco) are each separated by less than one point in market share, with Safeway on top chiefly by virtue of its greater number of units, 45 vs. 28 for Vons and Lucky.

Hometown makes good: Two hometown chains, Big Bear and Windmill Farms, are part of the San Diego action, too. Big Bear, operating 23 stores with 8% of the market, is taking a more aggressive pricing stance after dropping trading stamps this past January. The operation has also boosted its advertis-

ing program, turning to greater use of color and more double trucks.

Steve Boney launched the eight-store Windmill Farms chain three years ago. It must be in the family genes, because Steve's father Henry founded the 55-unit Speedee convenience store operation in 1965. (Southland subsequently acquired Speedee along with conventional Bradshaw Markets.)

The younger Boney has made his mark by rehabilitating 20,000-sq.-ft. castoffs from other chains. Produce accounts for one-third of the space and volume at these health and nutrition-oriented stores. Instead of the usual selection of dry groceries, Windmill features health foods, most notably dried fruits and nuts. The stores have some dairy,



Lucky's promotional aisles feature apparel intermixed with foods. Both bakery and candy are service departments in Vons and Safeway stores.

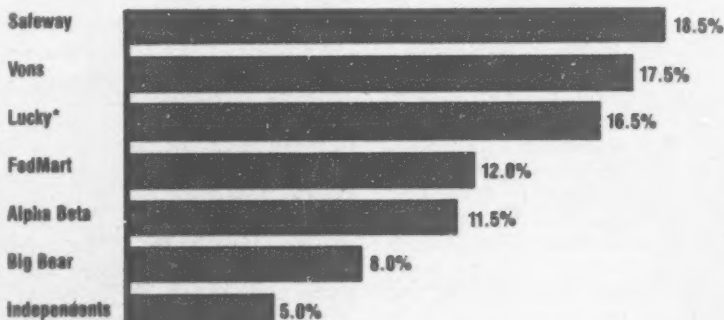
deli and frozen foods, but meat is not a big factor. Only three stores have meat departments, and they're leased.

Produce is Windmills' principal strength. A company executive claims that Windmill undercuts rivals on fruits and vegetables of comparable quality. The operation's average sales-per-store is \$60,000 a week.

Another locally based chain, FedMart, has had some financial troubles as well as difficulty garnering share of market in other areas. Not in San Diego. San Diego County's 14 FedMarts grab 12% of area food dollars, topping both Alpha Beta and Big Bear. □

L.A. barnburners capture San Diego market

Market share



*Dba Food Giant and Memco.
Source: San Diego Union & Evening Tribune

Safeway consolidates outstanding lead in Seattle

□ Safeway is super in Seattle.

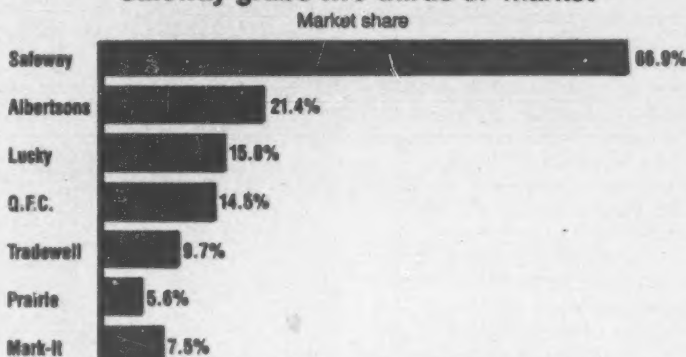
The *Seattle Times* confirms this in its 1979 market survey: Safeway clocked in with 66.9% market share—up from 57% in 1978.

Executives of competing chains in the Pacific Northwest challenge the authenticity of those figures, saying it is only 45%-48%.

Either way, owning half of a growing market isn't little league by any means.

Market share of other major chains has also increased over 1978: Albertsons, from 20% to 21.4%; Lucky, from 13% to 14.5%; Q.F.C., from 12% to 15.8%. Mark-It Foods (AG-supplied warehouse stores) is the only major showing a substan-

Safeway grabs two-thirds of market



Note: Total adds to more than 100% because of multiple answers.

Source: *Seattle Times*, conducted by GMA Research Corp.



Cheese boutiques are big business for Safeway. This canopied service department carries nearly 1,000 items. Chain features unusual end-caps such as this one for horse-care products.

tial decline—from 10% in 1978 to 7.5% in 1979.

Out of whose hide are the increases coming? The independents of less than 20,000 sq. ft.

"But that's not the complete answer," says a chain executive. "You're talking about a mushrooming market. Population is now 1½ million, with 2 million predicted by 1981, as well as expanding industry: Boeing and the port of Seattle." Currently food retailers in King and Snohomish counties ring up \$1.75 billion in annual sales.

'Terrified optimism': An exception to the big-store syndrome is Q.F.C., operating 15,000-sq.-ft. units. "We are food specialists," says president Jack Croco, "with very little nonfoods. Maybe we're an anachronism. Let's just say our attitude is one of terrified optimism."

But not too terrified—or anach-

ronistic—to take the lead in scanning. While the big chains traveled a go-slow course, Q.F.C. installed them in all stores in 1979 after making ready with electronic cash registers in 1975.

Mark-It's decline parallels the leveling off of the warehouse store boomlet, which peaked in 1977-78. Even so, the rush to warehouse-style retailing has been strong enough to capture 15% of the market.

Prairie is the granddaddy of the warehouse store field. Tradewell, Prairie's conventional-store parent, imported the concept from the Dakotas 16 years ago.

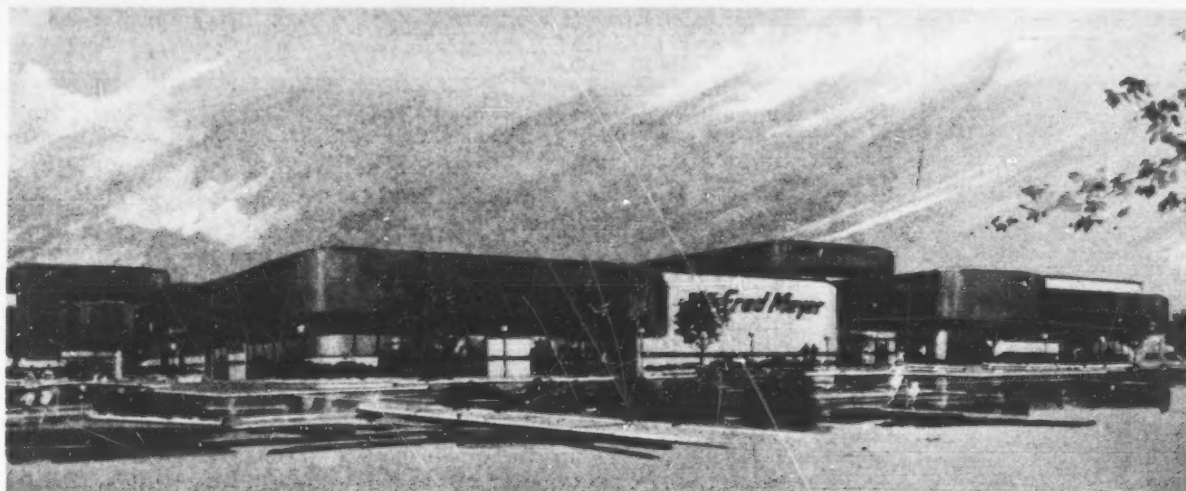
The impact of Prairie on Tradewell is significant. Chainwide, there are now 78 Prairies (mostly rural areas) and 39 Tradewells.

Prairies are 12,000 to 15,000 sq. ft., with no fresh meat and limited produce. Most other warehouse

stores are 18,000 to 20,000 sq. ft., with meat and large produce departments. Conventional chains work on margins of 21%-22% on dry groceries; warehouse stores, 13%-14%.

Safeway isn't No. 1 by default—and it's no overnight phenomenon, either. It has held a close to 50% share for years. It's no coincidence that Dale Lynch (now Safeway president) was retail operations manager, division manager and regional vice president in Seattle in the 60's and early 70's.

A major supplier of 20 years says, "Safeway's Seattle division is the best in the entire chain." Another supplier adds, "And it's one of the most profitable. By operating its own warehouse and buying direct, Safeway—and Tradewell—shave 2½%-3% off the wholesaler's cost. So they are able to work on bigger margins." □



Fred Meyer sets the pace in Portland

□ Welcome to Fred Meyer country. One out of every four food dollars spent in the Portland Metropolitan Area flows into a Fred Meyer cash register.

Chain founder Fred Meyer decided 60 years ago that the wave of the future would be one-stop-shopping—and he never looked back. The latest monument to the insight of the late entrepreneur is the 210,000-sq.-ft. Beaverton, Ore., showplace of retailing. Stores-within-a-store include: supermarket, general merchandise, pharmacy, hardware, housewares, sporting goods, auto-care, photo/sound, nutrition center, jewelry, home improvement, apparel, fabric, shoes, optical, restaurant and savings and loan.

While other supermarket operators around the country struggled to figure out exactly where in-store banking might fit into their business, Fred Meyer took the bull by the horns. Back in 1974, the chain moved to make banking a profit center by buying a savings and loan association. Today there are 40 Fred Meyer Savings & Loan Associations in Oregon, 32 of them in stores. The branches are open seven days a week, 10 to 7. Growth of this side of the far-flung Fred Meyer empire is rapid and steady. The company has opened an average of eight a year, a pace it expects to maintain.

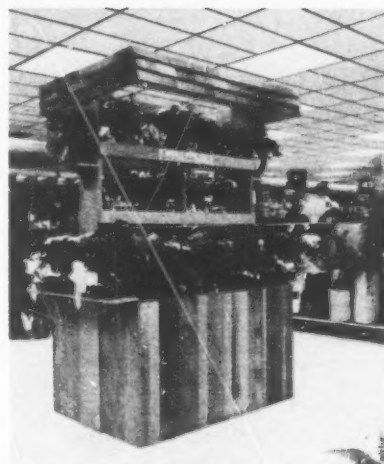
Hot ads, cool shelves: Fred Meyer is definitely the price-setter in Portland, using a strategy that emphasizes hot ads and relatively cooler shelf prices. (Seattle, dominated by Safeway and Lucky, is just the reverse.)

Also unlike Seattle, Portland retailers have gone slow when it

comes to installing scanner-assisted checkout systems. Uncertainty over the possibility of a state-wide unit pricing law is the main reason for the go-slow attitude. The Oregon Legislature failed to pass such a measure during its last session, but few doubt that it will surface again.

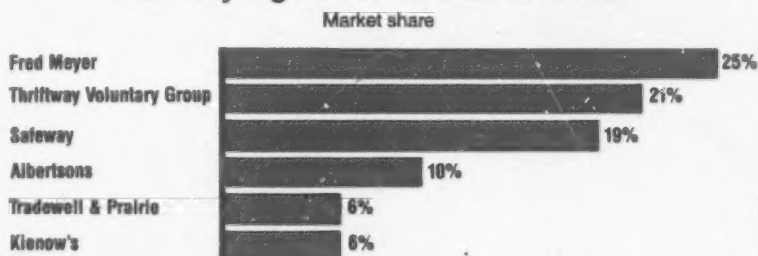
On the other hand, the future is equally cloudy for a piece of legislation considerably nearer and dearer to the hearts of area retailers. Petitions have been circulated to allow supers to sell liquor, presently available only at state-controlled stores, but the idea has made no concrete progress.

Tradewell's year-end purchase of five independent supermarkets should help its market share in the



Nobody has the science of one-stop shopping down better than Fred Meyer. A complete floral department is housed in 600 sq. ft.

Fred Meyer gets one food dollar in four



Total adds to more than 100% because some respondents named more than one store.

Source: Portland/Oregonian and Oregon Journal

current year. Two of the units are fairly large, 28,000 sq. ft., while the rest are 15,000 sq. ft. to 20,000 sq. ft.

Walmart operates the largest warehouse markets in the Northwest. It has four units, the newest of which is 40,000 sq. ft., and has

installed scanning in three already.

Portland is experiencing steady, if unspectacular, growth. The housing slowdown has hurt the city's No. 1 industry, lumber, but electronics and tourism are taking up a lot of the slack. □

—Lou Karney

FINANCIAL NEWS

Albrecht standing pat with Albertsons stock

An agreement between Albertsons Inc. and Theo Albrechtstiftung, a West German trust, has cooled speculation that the Boise, Idaho, chain is the next American food company on the list for European acquisition.

The recent purchase of 9.9% of Albertsons stock by the West German concern had touched off takeover rumors. Albertsons' officials moved quickly to lock up disposition of the major block owned by J. A. Albertson, which appeared to block any buy-out move by Albrecht.

The agreement gives Albertsons right of first refusal on the trust's 731,200 shares and would also limit Albrecht from increasing its holdings before Feb. 14, 1985. Albrecht also would promise to vote its shares on all matters either in proportion to the votes cast by other shareholders or as directors recommend.

Fleming notches another banner year

It was business as usual for Fleming Foods during the fiscal year ended Dec. 31, 1979, meaning that the wholesaler-retailer again established new corporate highs for both sales and net earnings. A particularly profitable final quarter helped the Oklahoma City-based company amass 12-month sales of \$2.5 billion, a 13% increase over the prior fiscal year.

Earnings kept pace with Fleming's sales expansion, also rising 13% to \$16.4 million. This

translates into a net-to-sales ratio of 0.66, approximately the same as in the previous year.

A construction spree by Flem-



ing's customers had a lot to do with setting the records, according to Fleming president R. D. Harrison. Customers of the wholesaler opened over 100 stores during the year. Harrison also expressed satisfaction with start-up at two major new distribution facilities located in Oklahoma City, Okla., and Columbus, Ga.

Southland sets sales and earnings record

Dallas, Tex.-based Southland Corp., the nation's largest operator of convenience stores, notched record sales and earnings for the fiscal year ended Dec. 31, 1979. The company, which operates 6,807 7-Eleven stores, logged sales of \$3.9 billion, up 25.4% over the previous fiscal year. Profits zoomed 45.5%

to \$83.1 million over the same period.

Commenting on Southland's outstanding showing, chairman John P. Thompson, said, "The strong sales gain, evident throughout the year, was due primarily to continuing popularity of convenience store shopping, enthusiastic response to prime-time network television advertising, stepped-up 7-Eleven merchandising and promotional programs, improved Dairies Group operations and a substantial increase in self-serve gasoline."

Allied profits increase

Allied Supermarkets, buoyed by its third straight quarter of profitability, reported sharply improved earnings despite sales that continued to trend lower. For the six-month period ended Jan. 12, the financially troubled chain logged sales of \$276.6 million, a 21% drop from last year's first-half volume of \$348.9 million.

Profits were a different story, however. The Detroit, Mich., retailer reversed first-half fiscal 1979's \$3.4 million loss by posting a \$1.5 million profit during the first six months of the current fiscal year. Allied has operated as debtor-in-possession under terms of Chapter XI of the Federal Bankruptcy Act since November 1978.

Presently, slimmed down Allied operated 35 Great Scott! supermarkets in Michigan, 48 Humpty and Ideal supers in Oklahoma, Kansas and Texas, a K mart Food Store in South Dakota and the Abner Wolf Wholesale Company.

Chain Financial Scoreboard

Operation	Period	Date	Sales	% Inc./Dec.	Net Income	% Inc./Dec.	Net-to-sales ratio
Bayless	1 yr.	12/29	\$ 319,837,000	+23	\$ 2,193,000	- 15.0	0.69
Victory	1 yr.	12/29	241,614,000	+ 6	1,037,000	- 7.0	0.43
Big V	1 yr.	12/30	357,984,047	+21	4,703,928	+ 12.0	1.31
Fleming	1 yr.	12/31	2,507,864,000	+13	16,439,000	+ 13.0	0.66
Southland	1 yr.	12/31	3,876,059,000	+25	83,141,000	+ 46.0	2.14
Sunshine Jr.	1 yr.	12/31	120,071,813	+28	2,399,610	+ 48.0	2.00
Farm House	9 mos.	1/6	358,278,448	+17	2,984,306	+ 35.5	0.83
Allied	6 mos.	1/12	276,614,000	-21	1,504,000	+145.0	0.54

Source: Compiled by CSA Supermarkets Research

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

May 1980

Grant Gentry: Can he bring Food Fair back?



Special report

Today's gourmet shopper

The big bucks spender

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TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)



In Boston, Stop & Shop's Country Market sets a new fresh store to cure operating woes page 68.

Today's high spender

With basement prices and double coupons luring consumers into supermarkets, this exclusive study of upper-income shoppers who are turned on to creative cooking couldn't have come at a better time 99

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Today's gourmet shopper: the big bucks spender

The cooking-at-home trend is adding a fresh and highly profitable dimension to supermarket merchandising.

Leading the revolution is a new breed of high spender—the affluent shopper with a lavish enthusiasm for creative cooking and entertaining.



This couldn't have appeared at a better time. Inflation is running rampant, severely eroding the average consumer's purchasing power. Reactive supermarketeters are left with little recourse but to slash prices, employ double coupons and other gimmicks and hype "generics." Margins, already lean, are becoming razor-thin. Some observers feel profits will be off as much as 20% this year.

Enter the affluent shopper, whose quality-at-any-price attitude contrasts harshly with today's budget-oriented consumer. She may be more selective in her purchases, more resistant to persuasive advertising, and more inclined to read labels, but keep her satisfied and she'll move more product off your

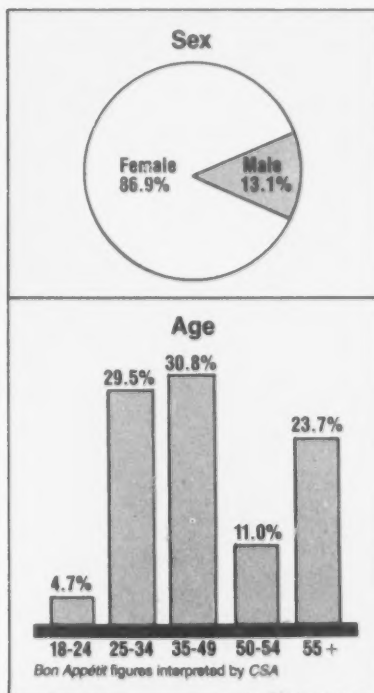
shelves than anyone else.

No frills? Only a few are familiar with the plain black and white package, opting almost exclusively for national brands. Cents-off coupons? The majority reach for a new product because it's something different, not because it's discounted. Here's what one upper-income shopper told *CSA Supermarkets* on a recent trip to her neighborhood store: "When it comes to serving my family and friends, I just can't put macaroni and cheese on my dining room table. I derive a lot of pleasure out of preparing a creative dish."

That's quite a mouthful. And it underlines just how valuable this upscale portion of the marketplace is to a supermarket operation's bottom line.

Elusive spenders: Unfortunately, there's one dark cloud: Most retailers haven't the faintest idea who these shoppers are, what they buy, how often they shop, or how much they spend. Unless a supermarket's store is located, say, in the heart of a silk-stocking district, the typical retailer simply doesn't have the know-how to attract the hottest consumer in the marketplace.

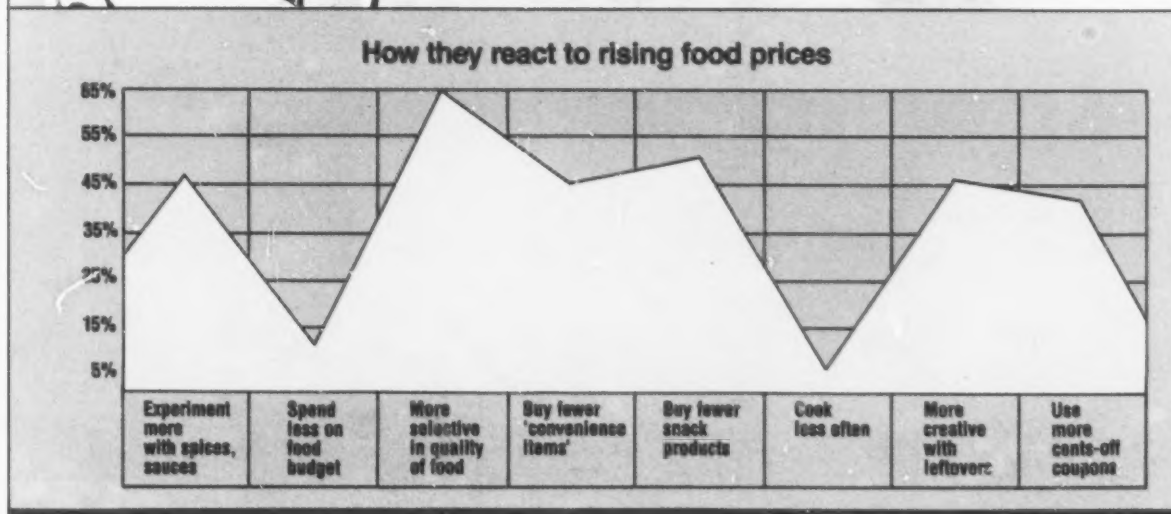
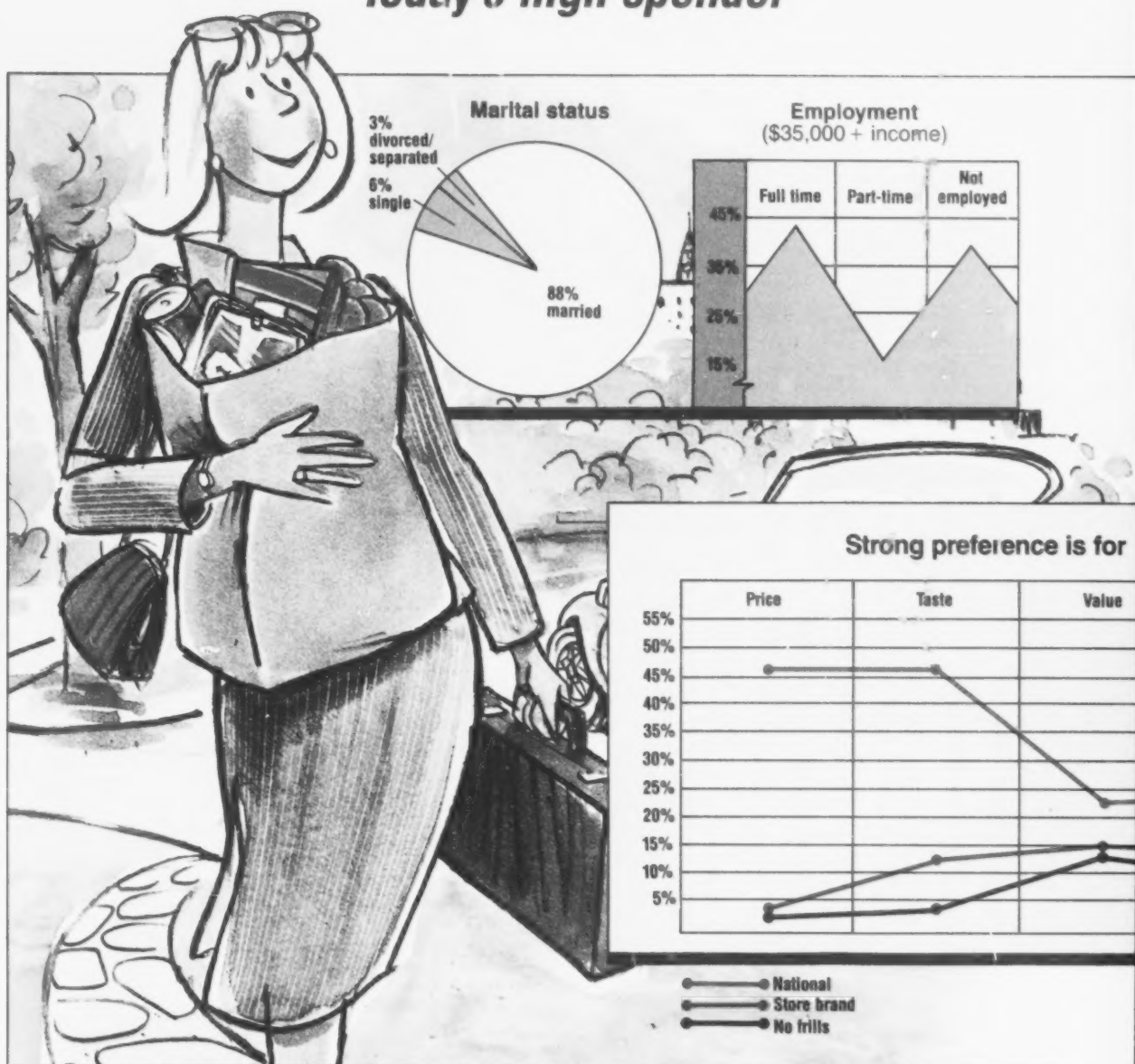
Until now. *CSA Supermarkets* has interpreted the results of a landmark *Bon Appétit* magazine subscriber survey, providing the



**These shoppers
often run up weekly
food bills of \$125
at the supermarket**

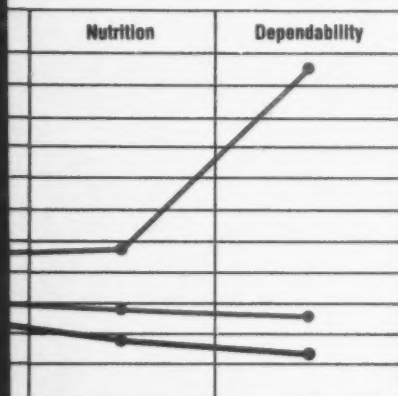


Today's high spender



**Name-brand items
are her first choice
because she knows
they're dependable**

national brands



Bon Appétit figures interpreted by CSA

**Convenience foods
and snacks have
been hurt most by
skyrocketing prices**

food retailing industry with vital statistics embracing the attitudes and behavior patterns of affluent homemakers as they relate to new products, brand qualities, additives and ingredients, supermarket promotions, ethnic foods and food preparation.

Of course, the value of this data to an individual retailer depends on

the proportion of high spenders in his trading area. But keep this in mind: An astounding 20% of this elite group of shoppers run up food bills exceeding \$125 a week, compared to 6.7% of all female homemakers. Try that on your calculator; it adds up to a lot of product moving off the shelf, no matter how meager the proportion.

She's a trendy, curious— and demanding—shopper

Remember the time that irate shopper dropped a half-empty jar of some newfangled natural honey on your service counter, spewing out how terribly disappointed she was with the product?

Well, there's a very good chance you were looking right into the face of an upper-income customer. Peeved, yes, but no less affluent.

In one of the more surprising revelations to emerge from the study, 83% of the high-spending homemakers let it be known that they don't take dissatisfaction lightly. In fact, roughly the same high percentage say they share their distaste with their neighbors and friends.

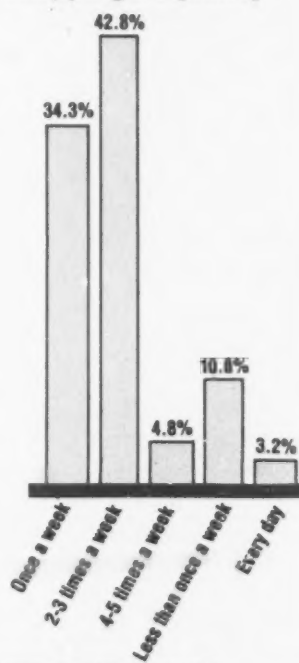
Now for the good news. While today's hottest-spending consumer isn't shy about returning an item, she demonstrates an equal zest for trying new products. If there's anything this new breed of shopper avoids, it's the same meal week after week.

The supermarket who wants to encourage this shopper's enthusiasm for experimentation and innovation would be well advised to pay more attention to the thousand or so new products that make a bid for permanent shelf space every year.

Here are some pointers to help in those decisions. For one thing, if a particular new product is moving fast, it's probably because 96.2% of the high spenders are following the recommendation of a friend. But what prompted her friend to buy it in the first place? Curiosity, according to 95% of the homemakers surveyed.

Two other factors influence the affluent to purchase a new product: nutritional value (82.1%) and advertising (79.4%). Interestingly, a siz-

Shopping frequency

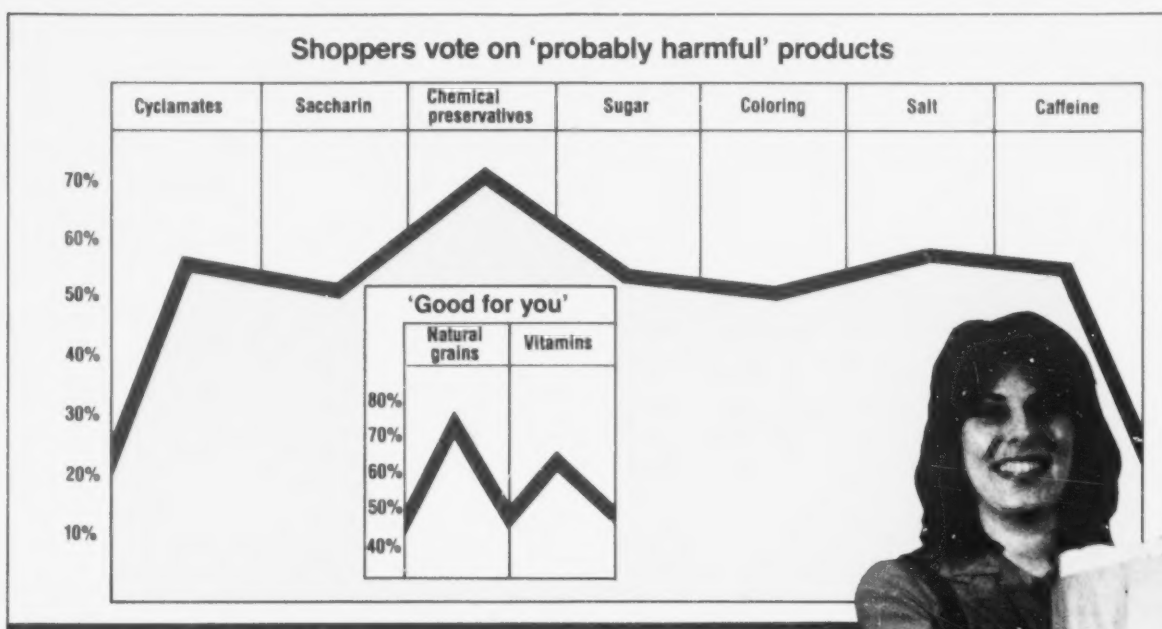


Bon Appétit figures interpreted by CSA

able majority, 61.1%, reveal that cents-off coupons can motivate them to pick up a new product. Yet, unlike the typical income-strapped consumer, a very small minority (6.5%) buy a new product solely due to the price reduction.

There's a relatively simple formula a supermarket can follow to determine if a new product is likely to whet the curiosity of today's hottest spender: (1) It has a national label, (2) contains natural ingredients, (3) has nutritional value and (4) she asked for it.

Today's high spender



More ingredients, more recipes

Ask a high-income homemaker whom she idolizes the most and there's a good chance she'll say culinary first lady Julia Child. Browse through her home library and you're likely to find out why.

Cookbooks. Volumes of them, full of exciting recipes. Evidence that the kitchen has emerged as the "in" place for today's hottest-spending consumer.

An analysis of the figures reveals that 80.5%—that's more than eight out of 10 high spenders—rely on

velocity homemakers. And 83.9%, as expected, weigh ingredients for nutritional value.

A clear majority of the high spenders are likely to be found reaching for natural grains, while a high proportion shun chemical preservatives, cyclamates, salt, colorings, sugar and all synthetic addi-

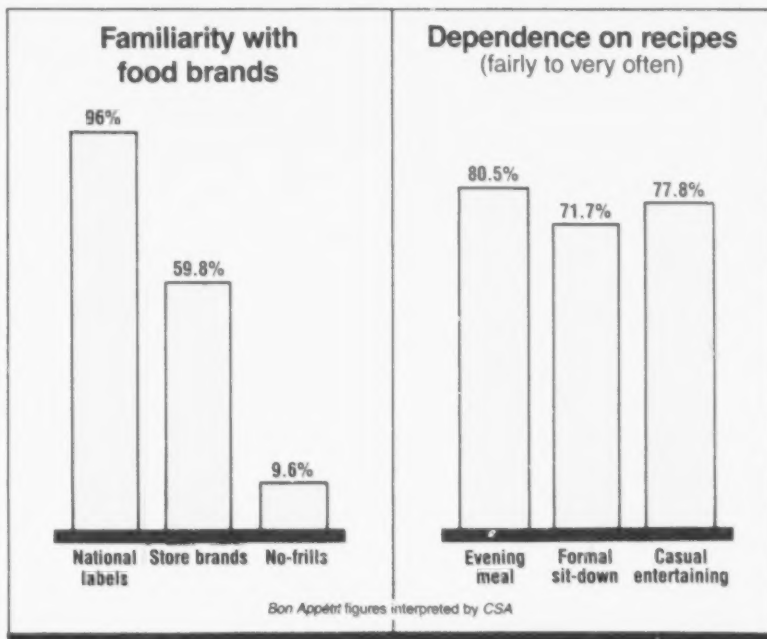
tives.

Which raises an important question: What products do these affluent shoppers purchase to garnish their meals? The answer is sitting in your spice rack and sauce section, staple items guaranteed to attract the big spenders when properly—and amply—displayed.

Many big spenders are creative cooks, with strong preference for natural ingredients

recipes in the preparation of their dinner meal. And nearly as many, 77.8%, depend on recipes when it comes to casual entertaining.

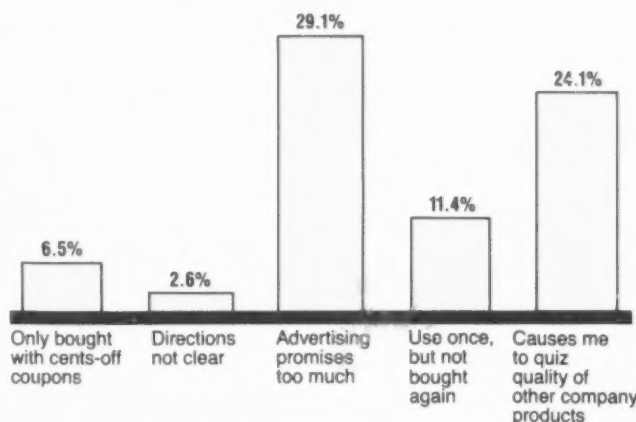
What does this mean to the food retailer? The creative cook blends a wide range of ingredients to form a single dish. At the same time, she's very serious about *what* goes into her meals. The supermarket who's promoting freshness can count on pleasing 89.4% of the high-



Today's high spender



New products



Bon Appétit figures interpreted by CSA



New products a strong lure

The affluent shopper isn't oblivious to soaring prices, but her behavior has certain advantages for the supermarket operator.

Higher food bills have made 65.5% of these heavy spenders definitely more selective in their purchases, yet only 12% have responded by trimming budgets.

And while snack products, and to a slightly lesser degree convenience items, are feeling the pinch, keep in mind that creative cooks are constantly seeking out ingredients that can add dazzle to an otherwise basic dish. In fact, a significant 46% of upper-income homemakers are experimenting more with spices and sauces for this very reason.

The study also reveals that more than one out of five big spenders are investigating food products they previously hadn't tried because of—or in spite of—rising prices.

The baking goods section is also benefiting from climbing prices, brought out by the 28.5% of the high spenders who say they're baking more often. A deeper look indicates that female homemakers in the 18-34-year-old age bracket are whipping up cakes and pies at an even higher rate (39.4%).

And you can thank OPEC for this next plus: The accelerating cost of gas has prompted 35.1% of the high spenders to shop at a supermarket

closer to home, which at the very least allows the retailer to more accurately track his percentage of high-velocity shoppers.

Also, more than a quarter of the high-income bracket respondents (27.2%) admit they have every intention of shopping less often.

One more advantage to soaring prices: One-third of upper-income shoppers say they're eating out less often. Turn that one around and it adds up to more product moving off the supermarket shelf.

—Larry Schaeffer

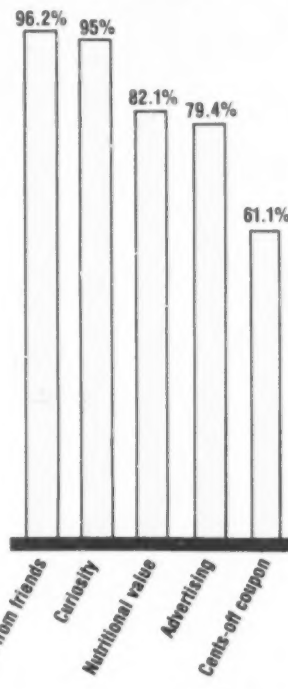
2,000 panelists voice preferences

The statistical findings of the attitudinal and behavioral study are based on questionnaires sent out to a 2,000-member panel of *Bon Appétit* subscribers, whose average household income exceeds \$40,000.

The study consists of a broad range of food-related topics and offers a demographic compilation of total respondents age, marital status, employment status, household size, region and income.

This is the first of a series of studies *Bon Appétit* plans to sponsor at least once a year.

Why they reach for new products



Sales rise 18% at Albertson's

Albertson's, Boise, Idaho, continues to roll up impressive operating results, although profit for the fiscal year ended Jan. 31 did not keep pace with sales.

The chain earned \$38,322,644 profit for the 52-week period, a modest 5% improvement over the fiscal 1978 total of \$36,421,412. Sales advanced more briskly, up 18% to \$2,673,847,000 from \$2,268,969,000.

To celebrate another solid year of accomplishment, the board of directors has announced a 2-for-1 stock split affecting shareholders of record as of March 14. At the same time, Albertson's board authorized a 33% hike in the quarterly dividend from 30¢ per share to 40¢.

Cavenham says merger O.K.'d

The Federal Government may have a few nits still to be picked, but Cavenham Holdings Inc. has completed the acquisition of J. Weingarten through one of its subsidiaries.

As a result of the merger, Cavenham Texas now owns all stock in the Houston, Tex.-based supermarket chain. (Prior to consummating the merger, Cavenham Texas held 97.6% of Weingarten.) Former holders of Weingarten common stock are entitled to \$12 in cash per share held prior to the merger.



Jack Crocker

Super Valu logs big year

It was business as usual for Hopkins, Minn.-based Super Valu in the fiscal year ended Feb. 23, meaning that the well-known wholesaler/retailer once again noticed improved sales and earnings.

Sales climbed to \$3,475,193,000, a 15% gain over the previous year, while profits mounted even faster, up 23% to \$45,343,000. (The LIFO method of accounting, in use at Super Valu since 1975, resulted in a change against net earnings of \$4.7 million.)

"In the face of high inflation and steadily increasing costs, all lines of the company's business performed effectively," states chairman Jack J. Crocker. "We achieved growth ob-

jectives in wholesale foods and our nonfoods operations. Through disciplined expense control, we achieved earnings that exceeded our long-range goals."

Food store sales, according to Crocker, account for 89% of Super Valu sales and 72% of its operating earnings. Recent emphasis, however, is on expansion of the County Seat leisure apparel and ShopKo department store operations.

Records fall for SGC year

Despite a precipitous 22% decline in net earnings during the fourth quarter, Supermarkets General Corp. notched record sales and profits for the fiscal year ended February 2.

Increased operating profit for Pathmark Supermarkets was the primary reason for the stellar performance by the Woodbridge, N.J., retailer. For the company as a whole, sales for the fiscal year soared 15% to \$2,372,574,000, up from \$2,061,873,000 in the previous year. (1978 was a 53-week period, so the true year-to-year sales gain was actually closer to 20%, adjusted.)

Pathmark overcame a slightly weaker fourth quarter due to the operation's jack-rabbit start in 1979. The bankruptcy of Food Fair and difficulties experienced by other competitors enabled Pathmark to compile a 63% increase in first-half earnings compared to the similar period of the prior fiscal year.

Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./Dec.	Net Sales	% Inc./Dec.	Net-to-sales ratio
Albertson's	1 year	1/31	\$2,673,847,000	+18	\$38,322,644	+5	1.43
SGC	1 year	2/2	2,372,574,000	+15	23,460,000	+14	1.09
Godfrey	1 year	2/23	368,679,000	+16	3,884,000	+45	1.06
Super Valu	1 year	2/23	3,475,193,000	+15	45,343,000	+23	1.30
Conna	9 mos.	2/3	201,822,000	+26	1,875,000	+87	0.96
King Kullen	6 mos.	3/17	144,413,638	+14	1,375,032	+34	0.95

Source: Chain Store Age

Why there's a new quarterback at A&P
Waldbaum's ranks "tops" in deli country

ChainStoreAge Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

Annual Financial Recap

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**More
winners
than losers**

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

June 1980



Commitment to service, inviting store environment are as much a part of Publix' success as top asset management.

Annual financial recap

Despite an inflation-ridden year, major food chains fared better than expected, with more winners than losers on the board. CSA profiles 10 of the top companies, reviews some of those not so fortunate and provides a comprehensive analysis of the industry's prospects 19

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More winners than losers

There were more winners than losers during inflation-ridden 1979, according to the *Chain Store Age Supermarkets* annual financial recap, but the recession is changing the picture this year.

First-quarter results from the major chains tell the story: Safeway and Kroger both reported sharp declines in profit. Although the two giants' earnings were depressed in part by strikes, the trend toward lower earnings is likely to continue for many chains for the remainder of 1980.

A summary of first-quarter 1980 results shows that among all industries the grocery industry suffered one of the steepest declines in profit in the early months of 1980. Only the auto industry fared worse.

By this yardstick, grocers' profits were off 5.6% compared to the first quarter of 1979. The index for all industries showed an average gain in earnings of 16.6% for the period. The auto industry showed a decline of 95%.

One reason is that food inflation has been below the general rate of inflation. Food at home prices increased 5.8% last year, compared to

a 14.1% increase in the consumer price index. Supermarket operators meanwhile find themselves paying much more for energy and labor, while shoppers seek to cope with the long-delayed recession by curtailing food purchases and trading down.

CSA found the industry as a

But 1st-qr. results show a reversal, with earnings down for many chains

whole last year achieved sales of \$186.2 billion, up 10.9% over 1978. Chain supermarkets accounted for \$156.6 billion of this, up 11.3% over 1978. Chains thus accounted for 84% of total retail food sales in 1979, up from 82.5% in 1978.

Why the recession was so long coming is a question whose answer may provide a clue as to how long it will last. "The reason the recession was late is that the average American consumer in 1979 refused to accept a recession. He simply borrowed and went deeper into debt,"

says New York retail consultant Howard Davidowitz. "When the Government restricted his ability to borrow early this year, the recession got rolling."

All this suggests the recession is likely to last until interest rates settle back and restrictions are eased on consumer credit.

There was surprisingly little change in market share last year among the 10 largest chains. Safeway easily retained its top spot, although its market share eroded to 8.8% from 9.1% the year before. The merged Skaggs-American Stores operation moved up from sixth place in 1978 to fourth place last year based on *pro forma* sales and earnings.

Although Lucky picked up market share, it was displaced from fourth place by American and settled into fifth.

Food Fair, which was ranked eighth last year, disappeared from the top 10 list as a result of its massive store closing program under Chapter XI bankruptcy reorganization. Grand Union moved up one notch to eighth place, and Albertson's followed suit with a move up to ninth. Supermarkets General Corp. slipped into 10th place. □

Top 10 by market share

	1979 Rank	% 1979 Market share	1978 Rank	% 1978 Market share
Safeway	1	8.8	1	9.1
Kroger	2	5.8	2	5.7
A&P	3	4.2	3	5.4
American	4	3.9	6	2.7
Lucky	5	3.7	4	3.4
Winn-Dixie	6	3.1	5	3.2
Jewel	7	2.4	7	2.7
Grand Union	8	2.0	8	1.7
Albertson's	9	1.7	10	1.5
SGC	10	1.5	n/r	1.3
		37.1		36.7

Source: CSA Research



More chains reach billion-dollar class

Last year saw a record number of chains cross the billion-dollar mark in sales. As the chart shows, more than 20 companies were in the billion-dollar league last year, vs. 17 the year before. Earnings were up for most in 1979, in some cases dramatically so.

Jewel posted a 23% increase in profit; Supermarkets General, 31.2%; Publix, 15%; Lucky, 22%.

In view of the dislocations caused by inflation, there was surprisingly little change in standing among the largest chains. Safeway easily held on to the No. 1 spot with \$13.7 billion in sales, and Kroger stayed right behind the leader with \$9 billion.

A&P held on to third place despite a decline in sales to \$6.7 billion from \$7.5 billion the prior year. Lucky and Winn-Dixie, in fourth and fifth place in 1978, increased sales by substantial percentages last year but nevertheless slipped to fifth and sixth places in the 1979 rankings. They were displaced by the merged Skaggs-American Stores operation, which moved up from sixth place in 1978 to fourth place in 1979, based on *pro forma* sales.

Food Fair fell back from eighth place to 14th with sales of \$1.5 billion last year, down from \$2.8 billion the prior year. The slippage is a result of the company's massive store closing program under Chapter XI bankruptcy reorganization.

Among the other large chains, several moved up a single slot. These included Grand Union, up from ninth to eighth place, Albertson's, now in ninth place, and Supermarkets General, which is in 10th place, up from 11th. □

Supermarkets improve most

A composite selection of "shelf" retailers (49 food chains, 7 convenience store chains, 31 discount store companies, 9 variety store operators and 21 drug store chains) collectively posted sales gains in 1979 at least three percentage points higher than the year before. Discount stores as a group showed the most significant improvement, boosting sales up more than four percentage points. Only drug stores' rate of sales gains declined last year.

Latest results				
	% Sales gain	% Net earnings gain	% Return on assets	% Return on equity
Supermarkets	13.6%	32.6%	4.9%	15.2%
Conv. food stores	20.6	26.0	6.0	13.2
Discount stores	15.4	24.6	4.7	13.2
Variety stores	13.8	5.7	6.9	12.4
Drug stores	13.1	22.1	5.5	14.7

Source: Management Horizons Inc.

Fiscal years ending on or before 12/15/78.

Rank	Chain	1979 sales volume (000 omitted)	1978 sales volume (000 omitted)	% change
1.	Safeway†	\$13,717,861	\$12,550,569	9.3
2.	Kroger†	9,029,315	7,828,071	15.3
3.	A&P	6,684,179	7,469,600	(-10.5)
4.	American Stores¹	6,120,963	5,138,404	19.1
5.	Lucky Stores	5,815,927	4,658,409	24.8
6.	Winn-Dixie†	4,930,000	4,440,000	11.0
7.	Jewel Co.	3,760,000	3,510,000	7.1
8.	Grand Union	3,137,612	2,398,544	30.8
9.	Albertson's	2,673,847	2,268,969	17.8
10.	Supermarkets Gen'l†	2,372,574	2,061,873	15.1
11.	Publix†	1,942,562	1,679,112	15.7
12.	Stop & Shop†	1,878,864	1,762,144	6.6
13.	Dillon	1,792,216	1,465,277	22.3
14.	Food Fair²	1,461,000	2,800,000	(-47.8)
15.	City Products [Von's]	1,453,000*	1,175,000*	23.7
16.	Fisher Foods†	1,336,293	1,451,676	(- 7.9)
17.	Giant Food	1,242,620	1,080,842	15.0
18.	First National††	1,111,691	382,464	190.6
19.	Waldbaum's	1,103,443	941,479	17.2
20.	Fred Meyer Inc.	1,060,203	927,110	14.4
21.	National Tea	1,045,695	918,634	13.8
22.	Borman's†	905,400	783,900	15.5
23.	Federated [Ralphs]†	882,700	851,900	3.6
24.	Gamble Skogmo	800,000	745,000	7.4
25.	Cullem†	782,520	639,080	22.4
26.	H. E. Butt	728,000	650,000	12.1
27.	Hy-Vee	683,000	583,720	17.1
28.	Weis	606,346	518,003	17.0
29.	J. Weingarten	566,118	500,272	13.2
30.	Smith's Mgmt.	621,000	550,000	12.9
31.	Schnuck's	500,000*	460,000*	8.7
32.	Price Chopper	520,800	465,000	12.0
33.	Meijers†	494,000	457,000	8.1
34.	Kohl's	492,000*	440,000*	12.0
35.	Chatham†	482,000	465,000	3.7
36.	Arden Mayfair	460,479	449,000	2.5
37.	Altamant†	435,999	376,861	15.7
38.	ThriftyMart†	431,870	368,136	17.3
39.	Stater Bros.	420,567	343,442	22.5
40.	Foodtown [NC]†	415,973	299,266	39.0
41.	Foodarama	413,016	376,144	9.8
42.	Giant Eagle	406,500	363,000	12.0
43.	Nash Finch†	386,934	338,000	14.5
44.	Brune's†	385,595	309,448	24.6
45.	Purity Supreme	381,000	304,500	25.1
46.	Penn Traffic†	375,573	330,225	13.7
47.	Sentry	368,679	318,263	15.8
48.	Big V	357,984	295,110	21.3
49.	Wegman's	350,000	316,153	10.7
50.	Schwegmann	335,000	300,000	11.6

Source: All data is as stated in annual reports, S.E.C. 10K Forms and other financial statements. Estimates (indicated by an asterisk) are used in the absence of published data.

†Indicates the company uses LIFO method of accounting for all or substantial amounts of inventory.

The top 100 food chains

1979 earnings (000 omitted)	1978 earnings (000 omitted)	% change	Rank	Chain	1979 sales volume (000 omitted)	1978 sales volume (000 omitted)	% change	1979 earnings (000 omitted)	1978 earnings (000 omitted)	% change
\$143,323	\$146,118	(- 1.9)	51.	Pueblo Int'l	\$330,773	\$296,170	11.7	4,033	3,975	1.4
85,721	84,596	1.3	52.	Harris Teeter	329,614	284,907	15.8	6,889	5,091	35.5
(- 3,807)	(- 52,186)	92.7	53.	Seaway Foodtown†	325,858	285,214	14.2	4,756	3,325	43.0
62,782	50,447	24.5	54.	A. J. Bayless†	319,837	260,088	23.0	2,193	2,583	(- 15.0)
98,100	80,400	22.0	55.	King Kullen†	318,363	281,039	13.3	1,843	1,952	(- 5.6)
94,500	84,000	12.5	56.	Shaw's†	312,000	249,000	25.3	n/r	n/r	n/r
50,680	41,140	23.2	57.	Hughes*	300,000	190,000	57.8	n/r	n/r	n/r
33,253	23,137	43.7	58.	The Boys	300,000	270,000	11.1	n/r	n/r	n/r
38,322	36,421	5.2	59.	Tradewell	300,000	267,000	12.4	n/r	n/r	n/r
23,460	17,874	31.2	60.	Smitty's*	288,000	222,000	29.7	n/r	n/r	n/r
37,068	32,113	15.4	61.	Mayfair (Foodtown)	280,000	260,000	7.7	n/r	n/r	n/r
14,948	16,021	(- 6.7)	62.	Shopywell	279,000	272,000	2.6	1,060	745	42.3
58,417	50,045	16.7	63.	Almac†	275,000	262,000	5.0	n/r	n/r	n/r
(- 211,000)	(- 52,500)	(- 301.9)	64.	Raley's	270,000	248,000	8.9	n/r	n/r	n/r
n/r	n/r	n/r	65.	Schultz Sav-O	261,950	219,373	19.4	1,871	1,263	48.1
(- 6,989)	9,829	(- 171.4)	66.	Delchamps	260,000	200,000	30.0	n/r	n/r	n/r
17,859	16,957	5.3	67.	DeMouias	252,000	227,789	10.6	n/r	4,885	n/r
3,934	1,631	141.2	68.	Handy Andy	250,000	252,000	(- 0.8)	n/r	n/r	n/r
7,827	7,016	11.6	69.	Star Supermarkets†	248,904	227,282	9.0	3,135	2,154	45.5
22,380	20,881	7.2	70.	Viciory Markets†	241,614	181,249	33.3	1,037	1,120	(- 7.4)
13,132	12,101	8.5	71.	Red Food	239,000	203,000	17.7	n/r	n/r	n/r
500	5,800	(- 91.3)	72.	Mott's	234,792	211,233	11.2	2,888	2,786	3.7
n/r	n/r	n/r	73.	Village†	232,165	206,319	12.5	1,004	1,141	(- 12.0)
n/r	n/r	n/r	74.	Fred W. Albrecht	231,000	201,000	14.9	n/r	n/r	n/r
9,406	6,614	42.2	75.	Brookshire	230,000	209,000	10.0	n/r	n/r	n/r
n/r	n/r	n/r	76.	Minyard*	228,600	180,000	27.0	n/r	n/r	n/r
n/r	n/r	n/r	77.	Piggly Wiggly [RR]	226,000	225,000	0.4	2,000	n/r	n/r
28,880	24,587	17.5	78.	Country Club	220,000	190,000	15.8	n/r	n/r	n/r
1,397	(- 3,666)	139.0	79.	Jitney-Jungle	219,186	185,676	18.0	n/r	n/r	n/r
n/r	n/r	n/r	80.	Thoroughfare Markets	218,347	200,908	8.7	1,411	823	71.4
n/r	n/r	n/r	81.	Ingles	249,000	212,000	17.5	3,475	n/r	n/r
n/r	n/r	n/r	82.	Randall	195,750	180,000	8.8	n/r	n/r	n/r
n/r	n/r	n/r	83.	Milgram	188,000	180,000	4.4	n/r	n/r	n/r
950,000*	440,000	47.7	84.	Houchens	175,000	160,000	9.4	n/r	n/r	n/r
n/r	n/r	n/r	85.	Lowe's [N.C.]†	163,423	131,996	23.8	842.7	981.1	14.1
2,097	15,032	(- 86.0)	86.	Scrivner	616,000*	550,000	12.0	n/r	n/r	n/r
4,162	3,222	29.2	87.	Furr's	616,000*	550,000	12.0	n/r	n/r	n/r
7,002	4,488	56.0	88.	Bi-Lo's [S.C.]	604,800*	540,000	12.0	n/r	n/r	n/r
18,892	15,989	18.2	89.	Big Bear	420,000*	375,000	12.0	n/r	n/r	n/r
13,170	9,480	38.9	90.	Fareway	246,400*	220,000	12.0	n/r	n/r	n/r
780	2,153	(- 63.7)	91.	Mott's	236,581*	211,233	12.0	n/r	n/r	n/r
n/r	n/r	n/r	92.	S. M. Flickinger	204,430*	182,527	12.0	n/r	n/r	n/r
n/r	n/r	n/r	93.	Tamarkin	201,600*	180,000	12.0	n/r	n/r	n/r
6,655	4,574	45.5	94.	Super Value	201,524*	179,754	12.0	n/r	n/r	n/r
2,542	2,270	12.0	95.	Peter J. Schmitt	181,440*	162,000	12.0	n/r	n/r	n/r
6,463	5,933	8.9	96.	Melmarkets	174,720*	156,000	12.0	n/r	n/r	n/r
3,884	2,684	44.7	97.	Save Marts	168,000*	150,000	12.0	n/r	n/r	n/r
4,704	4,214	11.6	98.	Consumers Market	168,000*	150,000	12.0	n/r	n/r	n/r
n/r	n/r	n/r	99.	Food World	168,000*	150,000	12.0	n/r	n/r	n/r
n/r	n/r	n/r	100.	Giant	168,000*	150,000	12.0	n/r	n/r	n/r

* Sales and earnings stated on a pro forma basis assuming the combination of Skaggs Cos. and the former American Stores Co. occurred at the start of fiscal 1978.

† Includes results from operations since discontinued under Chapter XI bankruptcy reorganization.

* Reflects combined operations from May 25, 1978, as though First National (Finest) purchased Pick-N-Pay.

* Results for 67 supermarkets.

* Includes acquisition of nine-store El Rancho chain, Los Angeles.

* Includes general merchandise sales in combo food/department stores.

How the best-run chains put

For years, Florida-based Publix Super Markets has heavily invested in people, public image, quality merchandise and sharply focused point-of-sale presentation of the wide range of goods it sells. So it follows that in terms of management of total assets, the 231-store chain should rank high on the list of best performers.

Indeed it does. This year Publix management and grabbed off the grand prize as best financially managed chain.

Against the 12 weighted calibration points the *Chain Store Age* research/analysis team uses to make its performance comparison, Publix scores high on 10 counts.

In fact, on five counts (debt/eq-

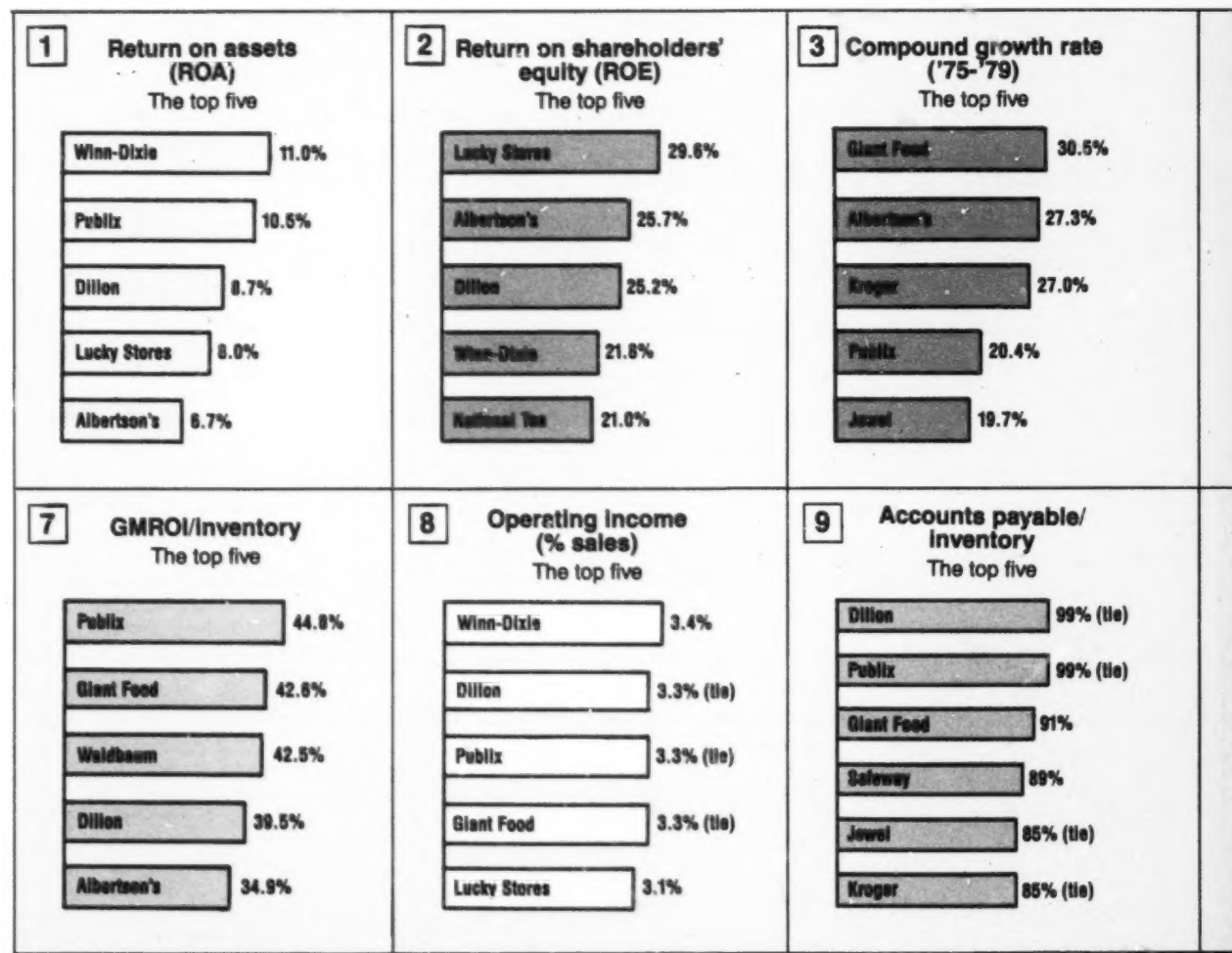
uity ratio; capital investment; GMROI/inventory; cash flow and assets/liability ratio) the high-flying exclusively Sunshine State operator ranks at the top of the list.

Only on financial leverage (the indicator of a company's ability to attract outside investors) and sales-per-employee does this regional food chain fail to make this year's blue ribbon check-off. Since Publix is 100% employee-owned, its relatively low financial leverage ranking has no particular significance. As for its down-the-list showing on employee sales productivity, Publix's \$74,378 per employee figure is well above the average of Southern food chain operators who do not have to contend with union contracts. As a result of a different pay

scale formula, Southern chains tend to employ a greater number of people per million dollars of sales produced than elsewhere in the country. Payrolls, as a percentage of sales, rank within the industry's current 11%-13% range.

This year's candidate list for best financially managed chain includes all chains whose latest fiscal year ended on or before March 31, 1980. Company annual reports, proxy statements, S.E.C. Forms 10K and related data were used to make the comparisons. Insufficient information was received from A&P, Grand Union, American Stores and Supermarkets General to be included.

Had such material been received, rankings in several instances would have undoubtedly changed. For ex-



Source: CSA Research, Company Annual Reports, S.E.C. Forms 10K

their acts together

ample, as it has for the past five years at least, Supermarkets General (Pathmark) would rank far ahead of all other billion-dollar food operators in terms of sales-per-store productivity. On average, today's Pathmark units grind out per-store sales in excess of \$16.5 million a year. Of those chains included in this year's financial performance recap, Maryland-based Giant Food stores produced sales-per-unit in excess of \$9.2 million for the fiscal 12-month period. Now fully scanner-equipped, Giant added more than a million dollars in sales per average store over '78.

Last year's best performer, Albertson's dropped back slightly on an overall weighted basis. While the Idaho-based supermarket operator

posted particularly outstanding numbers in Return on Shareholders' Equity (ROE), compound growth rate, financial leverage ratio and sales per employee, even this was not enough to withstand Publix' powerful showing.

Close on the heels of this year's two top producers were Giant Foods Inc. (Maryland), Dillon Companies Inc. (Kansas), Winn-Dixie (Fla.) and Lucky Stores (Calif.), in that order. Giant posted the highest compound growth rate, one indicator of a well-managed chain's staying power over the last reportable five-year period.

There's yet another indicator that points up the best-run supermarket companies are the very same ones that show the impact of a wide

range of productivity improvements in every facet of their business. That indicator is operating income. This year's top five performers, paced by Winn-Dixie, all produced pretax earnings of at least 3.1% of sales. In last year's recap, only two of the monitored major chains managed to chalk up that level of performance. □

Note: This annual financial recap is the result of extensive research conducted by the editors of Chain Store Age Supermarkets. Leading Wall Street security analysts were instrumental in developing and validating the weighted yardstick formulas used to determine performance rankings on the following pages.

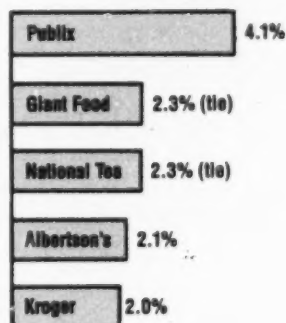
4 Financial leverage ratio The top five

National Tea	3.3 to 1
Albertson's	3.2 to 1
Safeway	3.1 to 1
Kroger	2.9 to 1 (tie)
Walden	2.9 to 1 (tie)
Giant Food	2.9 to 1 (tie)

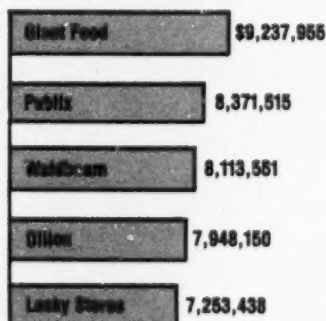
5 Long-term debt/ equity ratio The top five

Publix	0.06 to 1
Dillon	0.2 to 1
Winn-Dixie	0.2 to 1
Jewel	0.3 to 1
National Tea	0.4 to 1

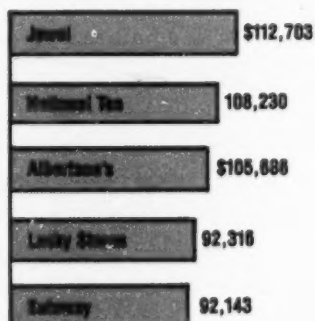
6 Capital investment (% sales) The top five



10 Sales per supermarket The top five



11 Sales per employee The top five



12 Current assets/ liability ratio The top five

Publix	10.2 to 1
Winn-Dixie	5.4 to 1
Dillon	5.3 to 1
Walden	4.9 to 1
Lucky Stores	4.5 to 1

Note: See page 23 for explanations of chart methodology and terminology.

Publix Super Markets: hottest



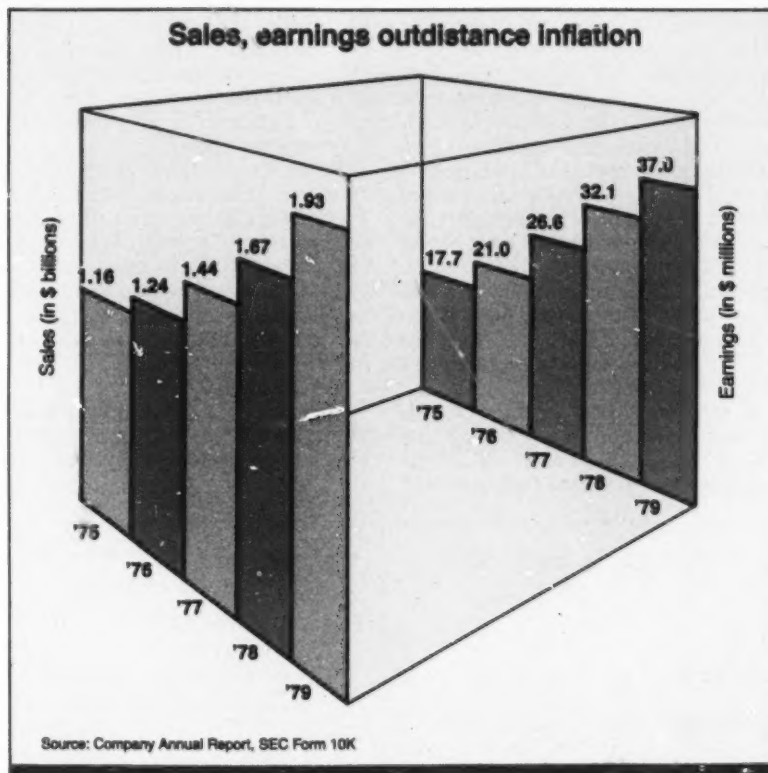
At a time when food inflation is lapping at 13%, it really is no great feat for a company to increase sales. But to stay ahead of inflation in both sales and earnings takes a little magic.

What, then, does the management of Publix have up its sleeve?

This privately held Lakeland, Fla., chain pulled in nearly \$2 billion in sales last year, a 15.6% increase over '78, but more importantly, it outdistanced inflation with a 15.2% increase in earnings, to \$37 million. The company's net-to-sales of 1.92% is better than any billion-dollar chain.

"And 1980 looks like it is going to be a good one, too," says Mark Hollis, vice president, communication.

Surprisingly, Publix performs its magic without being as diversified as the other giant chains. Although it does own the 222-unit Danish Bakery chain, the company does not stray from its highly polished food image even though competi-



Why Publix holds the top spot

Criteria	Calibration	Rank
Return on assets (ROA)	10.5%	2
Return on equity (ROE)	19.2%	6
Compound growth ('75-'79)	20.4%	3
Financial leverage	1.6-1	n/r
Debt/equity ratio	0.06-1	1
Capital investment (sales)	4.1%	1
GMROI/inventory	44.8%	1
Operating income (sales)	3.3%	2
Cash flow (AP/I)	99%	1
Sales per supermarket	\$8.4 mil.	2
Sales per employee	\$74,378	n/r
Assets/liability ratio	10.2-1	1

Source: CSA Research

tors have been successful with heavy nonfoods and general merchandise postures.

Hollis said the company plans a record number of supermarket openings this year—15—and 16 new bakeries. Publix will also remodel about 20 stores. Most of the supers will be the chain's standard 37,000-sq.-ft. stores, but several of the highly successful 50,000- to 60,000-sq.-ft. Food World formats are planned for Dade and Orange Counties.

Each of the stores will be scanner-equipped, and the company says it plans to retrofit the entire chain by the end of the year. Last year 73 stores were converted to scanning.

To service its burgeoning territory, Publix is increasing its warehouse and manufacturing capabilities enormously. At its Publix Industrial center in Lakeland, the company built a 160,000-sq.-ft. housewares distribution center and a 16,000-sq.-ft. data processing center.

Construction was started on a



Charles H. Jenkins Sr., chairman

105,000-sq.-ft. frozen food warehouse and dairy plant. Soon to be completed is a 199,000-sq.-ft. produce-dairy cooler, a 24,000-sq.-ft. addition to its bakery plant in Lakeland and a 200,000-sq.-ft. addition to its Jacksonville warehouse.

Perhaps the biggest story lies in the company's finances. In 1978 Publix spent \$53.6 million for capi-

performer of the year



The name Publix has always stood for food; chain has shunned big nonfoods image.



Located in heart of Florida's prime growing areas, chain features local produce.



Company counts on customer loyalty to help deflect infringement by discounters.

tal improvement; in 1979 it spent \$80 million. In the process the chain actually reduced its long-term debt to \$12.2, a manageable 0.05 to 1 debt to equity ratio. None of that debt is financed higher than 9.25%. The company also doubled the dividend it pays.

The chain, which this year celebrates its 50th anniversary, has a long history of sticking with programs that work. For one example, while industrywide use of trading stamps had fallen off sharply in the 70's, Publix continued to use them as an added traffic draw. Says Publix chairman Charles Jenkins Sr., "We've been using S&H Green Stamps for 30 years and they've done well. I think today we are the biggest user in the country."

Publix has quadrupled in size over the last 10 years and is now the nation's 11th largest supermarket chain. Despite its national stature, the company does not do business outside the state of Florida. Of course, with numbers like those, there is no reason to. "Maybe," one northern-based competitor notes, "they just like the weather." □



Inflation takes its toll on three chains

While most chains managed to stay ahead of inflation last year, at least three stand out for their inability to adjust quickly enough to the difficult market conditions.

A&P ended its fiscal year Feb. 23 with a \$3.8 million loss. The ensuing change of top management suggests an all-out effort will be made to pull the Tea Company into the black this year.

What's the trouble at A&P? A Wall Street analyst says the company "has been unable to attract the new customer base of young marrieds. It's still catering to grandma."

The company's limited assortment stores operating under the PLUS name haven't contributed as much to sales and earnings as hoped. They have recorded solid sales in Baltimore and Washington, where they have been able to project a strong low-price image. But in New Jersey, where price competition can be severe, PLUS has not done as well. A&P plans to unveil 68 PLUS units this year, adding to the 32 opened in 1979.

Still, it wasn't all bleak for A&P last year. The earnings deficit narrowed from \$52.2 million in 1978 to \$3.8 million last year, a dramatic improvement. A&P says its operating results before taxes in 1979 were slightly profitable, but taxes on the Canadian operations resulted in the

aftertax loss.

Stop & Shop's change to LIFO depressed earnings to \$14.9 million in 1979; the figure would have been lower but for a strong performance by the company's general merchandise arm. Stop & Shop's mainstay operations are its 150 supermarkets and 83 Bradlees department stores.

The company states that it sees hard times coming for its supers. "It is clear from last year's results that the supermarket company faces severe difficulties. To meet the challenge, we have in place and functioning new management," says Avram J. Goldberg, president and chief executive officer. The company is also working with a new merchandising program and continues to close unprofitable supermarkets in an effort to reduce the drain on earnings.

The general merchandise companies accounted for 93.8% of operating profit of \$32.3 million last year. The supermarket company accounted for 65.2% of total sales of \$1.9 billion.

Goldberg says the supermarket closings are "going forward with minimum disruption to our people and the communities in which we operate and without adverse financial effects."

Besides supers and Bradlees the company operates 45 Medi Mart drug stores, 48 Perkins tobacco shops, 25 Off the Rax women's specialty shops and the Stop & Shop Manufacturing Co.

Fisher Foods: Dominick's in Chicago had a good year last year in terms of sales and earnings, but the other leg of the Fisher Foods operation, Fazio's in Ohio, plunged the company into the red. Fisher reported a \$7 million net loss. About half of the loss is attributable to a switch to LIFO.

Fisher explains the loss is also the result of its Ohio store closings. The company was only partly successful in Ohio with its conversion of 22 failing supermarkets into warehouse stores. Some of these have since been closed, along with more supers. The closings required that \$10.2 million be set aside as a reserve and this sum, reported as a cost, helps explain last year's red ink.

Fisher management says the reorganization begun in 1978 is now complete and that the company is going to be profitable as it is currently positioned. □

Safeway builds on superstore base



Safeway closed out 1979 with a dip in earnings and a sales gain that can only be described as modest for the nation's largest supermarket chain. Management

nevertheless sought to assure shareholders the company was experiencing real growth, not just the effects of inflation, and that it will be well positioned for the 1980's, the decade of the superstore.

Safeway's sales climbed 9.3% to a record \$13.7 billion last year. Management explained this was chiefly the result of inflation and increased floor space. The chain is building larger stores at a rapid pace, many in the 40,000-sq.-ft. category. Company officials say the larger stores are attracting more customers, which would constitute real growth, and customers are spending more per shopping trip, which in an inflationary period does not automatically mean real growth. The sales gain in 1979 was less on a percentage basis than the 11.6% gain the prior year.

Safeway officials offer a twofold explanation for the relatively slow pace of sales growth last year. First, there was a heavy emphasis on cash games in 1978, which brought an increase in traffic that was difficult to maintain in 1979. The second factor was that 77 new stores opened late in 1979 and did not make a full-year contribution to sales. These units, plus another 136 that were under construction at year-end, will buoy sales this year.

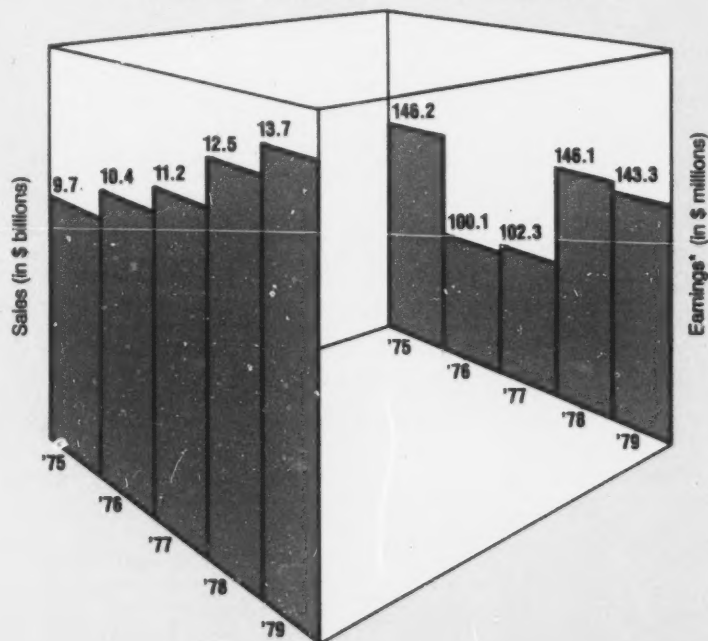
Net income slipped in 1979 to \$143.3 million from \$146.1 million, the result of the same factors that affected sales growth last year and the "Price Cutter" discount program instituted by Safeway to improve the company's price image at a time when price competition is increasing. Peter A. Magowan, who took over as Safeway chairman and chief executive officer this year when William S. Mitchell retired, says the price discount campaign was necessary to shore up the company's price image with consumers and that the dampening effect on profits was anticipated.

Magowan says the superstore



Chain expects to have over 475 one-stop shopping centers in operation by year-end.

Sales growth slows, earnings dip again



Source: Company Annual Report, SEC Form 10K

LIFO

building program, steady expansion overseas, better merchandising of nonfoods and innovations in warehousing and advertising will add up to "favorable results" for Safeway in 1980, which will be a 53-

week year for the company.

However, results for first-quarter 1980 do not show any evidence of a dramatic improvement. Sales rose 7% to \$3.26 billion while earnings fell 45% to \$12.5 million.

Asset management and research are keys to Kroger's success



Despite its recently sluggish performance, the Kroger Co. stands firmly, its head far above those of most competitors and its executives confident of the future.

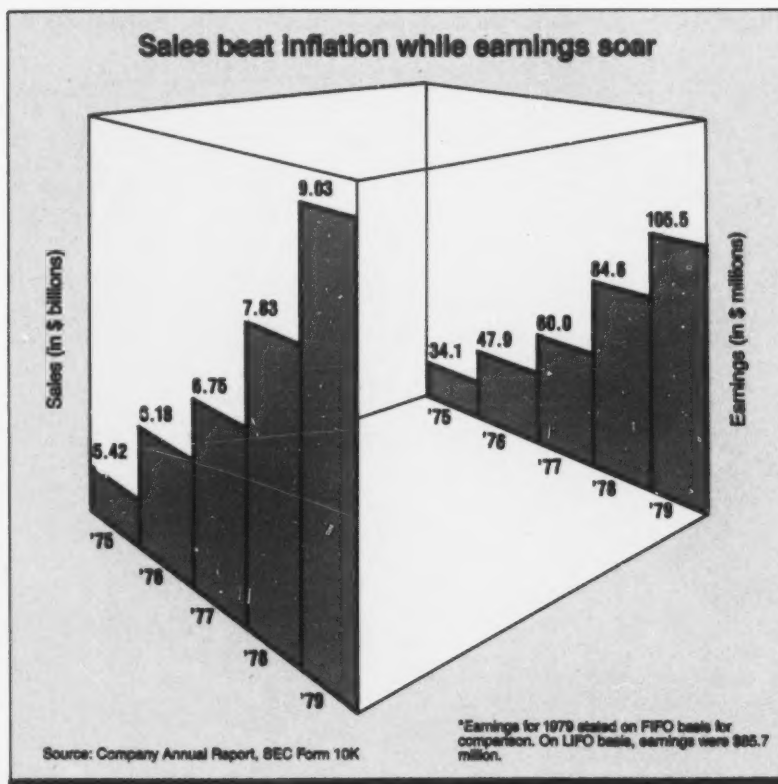
The nation's second largest food chain tallied \$9.03 billion in sales in 1979, up 15.3% from 1978. On the LIFO system to which it returned last year (Kroger used LIFO from 1950 to 1973), net earnings were \$85.7 million. Using comparable FIFO figures, however, earnings were \$105.5 million, a 24.7% gain over 1978.

The picture turned darker during the first quarter of 1980, which ended March 22. Despite a 13.6% jump in sales over first-quarter 1979 to \$2.19 billion, earnings dropped 21.1% to \$12.25 million. The chain attributes the dive to the effects of a strike that shut 50 stores in West Virginia for a month, as well as rougher price competition and rising operating costs. Spokesmen say, however, that the setbacks are temporary.

Behind Kroger's confidence is a period of growth and revitalization, begun in 1972, which brought

'We ask shoppers what they want and we respond to those needs'—Lyle Everingham, ceo

Kroger in 1978 to its current spot as the No. 2 United States food retailer, with 1,234 supers in 21 states. In 1972, the average Kroger outlet measured less than 19,000 sq. ft. Total retail food space was not quite 26 million sq. ft.; average sales per store were \$49,000 a week. Over the last eight years, Kroger closed 869 outdated units, remodeled 465 and opened 674 more, bringing total food space to 32.5 million sq. ft. The



average Kroger today covers more than 26,000 sq. ft. and has weekly sales of \$130,000.

In 1979 alone, Kroger's capital-expenditure tab came to \$177 million. It opened 88 stores and remodeled 91. In 1980, it plans to open 120, remodel 52 and start work on a new dairy and a frozen-dough plant. Kroger expects \$200 million in capital expenditures in 1980.

But capital expenditures are only part of the Kroger plan. The chain works at farsighted financial planning, concentrates on asset management and has a strong personnel training program. It has developed, and continues to work on, a merchandising concept that gears operations to the needs of consumers. In 1979, for instance, research teams interviewed 120,000 customers to find out what they wanted in a store. Such recent in-store additions as the 840 in-store deli-bakes and 115 cheese centers came as a result of consumer research.

Innovations of this sort are not new to Kroger. The chain now operates 39 Kroger Sav-On combination stores and 25 similar Family Centers, and those numbers are expected to grow. It operates 21 Bi-Lo limited assortment stores and three giant Barney's Food Warehouse units.

Kroger's current weak spot is its 504-store SuperRx drug operation, which last year accounted for about 6.3% of total chain sales. SuperRx sales rose a modest 9.2% over 1978, to \$567 million. But operating profit nosedived 43%, from \$22.6 million to \$12.8 million.

Chain management compares the SuperRx posture to Kroger supermarkets of 10 years ago, before they were modernized. Chairman Lyle Everingham says careful steps are being taken to remerchandise SuperRx outlets as drug stores first and foremost. Kroger plans to open 40 new drug outlets and remodel 25 more this year. □

Lucky: diversification nets profits



1979 to spark the chain's record-setting year.

Compared to 1978, the California chain's food stores increased their pretax earnings 50% (after adjusting for LIFO). Sales rose 29%.

Food stores also corralled a bigger share of corporate sales, rising from 61% to 63%, as well as contributing 44% to the corporate pretax earnings package vs. 33% for the prior year.

The number of food stores (most of them 30,000-sq.-ft. Lucky Discount Centers) has risen from 392 in 1975 to 509 in 1979, and Lucky plans to open 35 more this year. Twenty-seven per cent of the chain's food stores are three years old or less.

Newly opened Lucky Discount Centers show a space mix of two-thirds food and one-third general merchandise, a format consistent with the 136 units opened in '77, '78 and '79.

Lucky also operates 200 21,000-sq.-ft. conventional supermarkets with a more modest 8%-10% of the space allocated to nonfoods. This year the chain will convert three of the conventionals to discount centers; 16 were converted in 1979.

In addition, Lucky operates 21,000-sq.-ft. food departments in 76 Gemco-Memco discount department stores. Seven new Gemcos are to come onstream in 1980.

Last year was an acquisition year for Lucky. Food stores were front and center in this expansion thrust: 48 Kash N' Karry stores in Florida and 12 Scolari's in central California were picked up. As further evidence of Lucky's commitment to the retail food business, the chain acquired 11 Ralphs supermarkets in northern California.

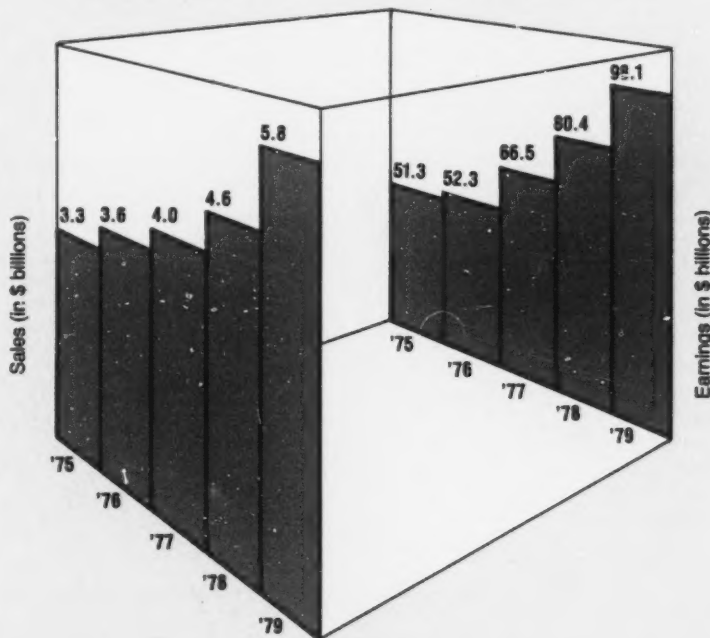
The chain is expanding distribution facilities as well. Grocery and produce at the Buena Park facility in southern California will be relocated to a 75-acre tract in Irvine, 25 miles south, early in 1981. In turn, this will allow the Buena Park facil-

Eclipsed by higher-profit spokes in its diversification wheel in recent years, Dublin, Calif.-based Lucky food stores returned to favored-son status in fiscal



Nonfoods account for close to 20% of volume at Discount Centers.

Sales push \$6 billion; record earnings posted



Source: Company Annual Report, SEC Form 10K

ity to expand meat, deli and non-foods.

This fall a 490,000-sq.-ft. warehouse will open in Houston. In addition to grocery, produce and deli, 90,000 sq. ft. will be devoted to non-foods. Upcoming in 1982 is a warehouse in Indiana.

The upbeat in food during 1979 helped to cushion the downbeat of restaurants and specialty apparel stores. These latter two retailing arms fell behind the preceding year in pretax earnings, although show-

ing modest increases in sales.

Overall, Lucky ended the fiscal year with 1,472 stores operating in 33 states. Sales for the 53-week year ended Feb. 3, 1980 increased 25% as compared to the previous 52-week year: up over \$1.1 billion to \$5.816 billion in 1979. Earnings rose 22% above 1978 results to \$98.1 million in 1979.

This year Lucky will open 14 restaurants, 60 automotive stores, 22 specialty apparel stores and 12 fabric stores. □

Winn-Dixie rides Sunbelt boom



Winn-Dixie has once more parleyed its strong position in major Sunbelt markets into a 45th consecutive year of higher sales. Net earnings, up in 30 of the

last 31 years, also rose, actually outpacing volume gains by a modest percentage.

The chain's 52-week sales stayed slightly ahead of inflation—though lagging behind the food industry average—with an increase of 10.9% to \$4.93 billion, up from the prior year's \$4.44 billion.

While the growth rate dropped for the second straight fiscal year, 1978 actually included four additional days. Adjusting for this, sales show an 11.7% increase in fiscal 1979, besting the previous year's 11.2% gain.

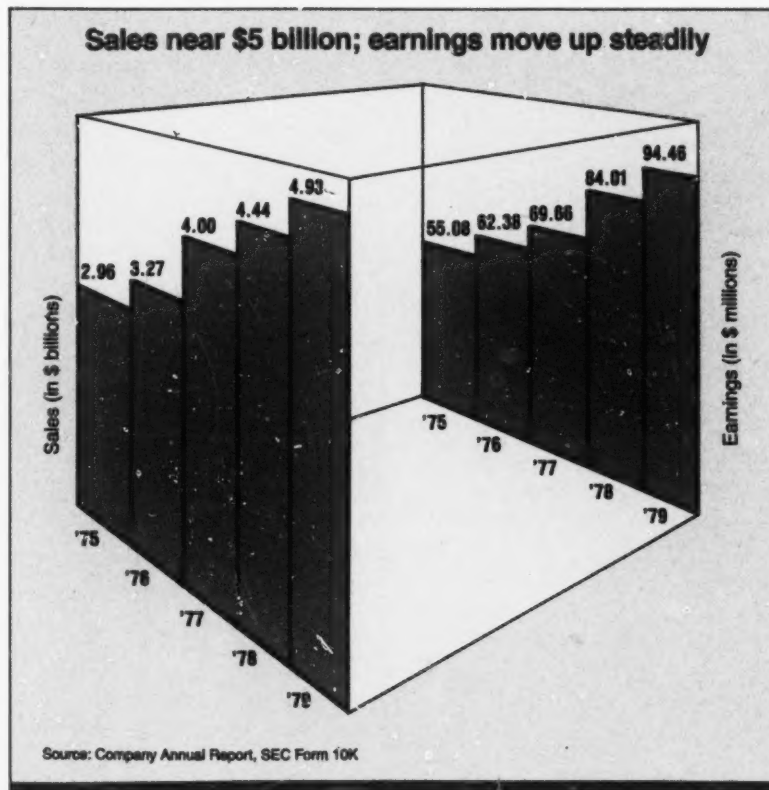
Higher labor and energy costs contributed heavily to a 15.3% jump in operating and administrative expenses, but profit performance remained good. Net income surged 12.4%, advancing to \$94.5 million from fiscal 1978's profit of \$84.0 million.

Hoping to maintain growth by replacing outmoded and unprofitable units with more productive ones, Winn-Dixie opened 89 supermarkets in fiscal 1979. Over the same 12-month period, the Jacksonville, Fla., chain closed 54 units and sold another 29 for a net gain of only six supers.

Winn-Dixie bucked the prevailing trend by boosting construction of new stores in first-half fiscal 1980. Forty-eight units have come on line so far, with another 68 stores slated to join them by year's end. Winn-Dixie operated 1,207 supermarkets as of Jan. 10, 1980, but has since acted to spin off some Oklahoma units.

Average sales per store leaped from \$3.81 million in fiscal 1978 to a hefty \$4.24 million in fiscal 1979, but the relatively small size of even the newest Winn-Dixie stores could limit future gains. While outfits like Kroger concentrate on building high-volume superstores, the typical new Winn-Dixie measures just 24,000 sq. ft.

Scanning is one area in which the



chain is completely up to date. After a successful seven-store test in 1978, Winn-Dixie threw scanner implementation into high gear in fiscal 1979. The company put scanning into 100 new and renovated supers last year, and it has equipped 82 stores so far in fiscal 1980. Winn-Dixie now has more scanner stores than any other chain, leading runner-up Giant Food by 60 systems.

Some observers challenge this emphasis on scanning, noting that the chain's units aren't big enough to get maximum benefits. Yet the retailer is totally committed to the idea, hoping that scanning will improve productivity at least enough to cover labor's increasingly strident demands.

In fact, Winn-Dixie's labor situation is a time bomb that could explode right in its corporate lap. Only about 1% of the supermarket chain's employees claim union affiliation, but the United Food and Commercial Workers Union, formed by a merger of the retail clerks and meatcutters groups, is applying a lot of pressure to change this.

Over the years, the company has

endured several lengthy strikes to emphasize its "hard line" stance toward organized labor. So far it has successfully resisted union pressure, but the threat of serious labor strife continues to cloud Winn-Dixie's horizon.

Like many of its competitors, Winn-Dixie is finding the current fiscal year tough-going. Despite runaway inflation, sales have climbed just 7.8% in the first half. Sales for the 28-week period were \$2.78 billion, compared to \$2.58 billion in the comparable first half of fiscal 1978. Profits dipped to \$44.3 million from \$45.4, primarily because the LIFO charge rose to \$14.8 million from \$13.4 million.

Will Winn-Dixie be the next major chain to land on the financial hot seat? It's hard to bet against a proven winner, but being in the right place (the Sunbelt) at the right time (the booming 1970's) may no longer be enough. Small store size, fresh challenges in some markets, aging top management and ongoing labor woes will have Winn-Dixie scrambling to keep growing this year. □

Jewel: records despite slow sales



The Chicago-based Jewel Cos. logged a second straight year of record sales and earnings in 1979 despite sluggish performance in its United States food op-

erations.

Consolidated net earnings rose 23.2% from 1978, to \$50.68 million. Sales—not including those at Aurrera S.A., Jewel's 41.7%-owned Mexican subsidiary—added up to \$3.76 billion, a 7.1% increase over 1978. Jewel officials note, however, that the “real” sales jump is 10.5% since 1978 was a 53-week year and that \$43.5 million in 1978 sales came from an unprofitable general merchandise division scuttled in mid-1978.

Jewel appears well on its way to meeting two goals it set a year ago for 1981: a minimum 15% return on equity and earnings of at least 1% of sales. At the end of 1979, Jewel logged a 14% Return on Equity (ROE), up from 1978's 12.1%, and had earnings of 0.96% of sales, up from 1978's 0.93%.

The star performer was Aurrera. Jewel equity in Mexico's leading private retailer brought \$14.5 million to the firm's earnings column, a 71.6% jump over Aurrera's 1978 contribution. Contribution to the bottom line by United States divisions, on the other hand, was \$36.14 million, a 10.6% increase over 1978. Supermarket sales increased a scant 5.1%.

The biggest drain was the cost of rapidly expanding the Jewel T limited assortment store division. Sticking to its initial projections, Jewel upped the number of box stores from 20 in four states at the start of the year to 100 in eight states 12 months later. But the price was high. Jewel T losses more than quadrupled, hitting 24 cents per share, from 1978's losses of 6 cents per share. Jewel expects losses to continue this year as it opens 58 more Jewel T's in existing markets.

Despite the lackluster sales at supermarket divisions, overall operating earnings rose 10.2%. The largest division, Jewel Food Stores, improved operating earnings by 19%, but Eisner's contribution fell

because of fierce competition and sales declines in areas where upgrading is yet to be completed. Star and Buttrey divisions posted modest gains.

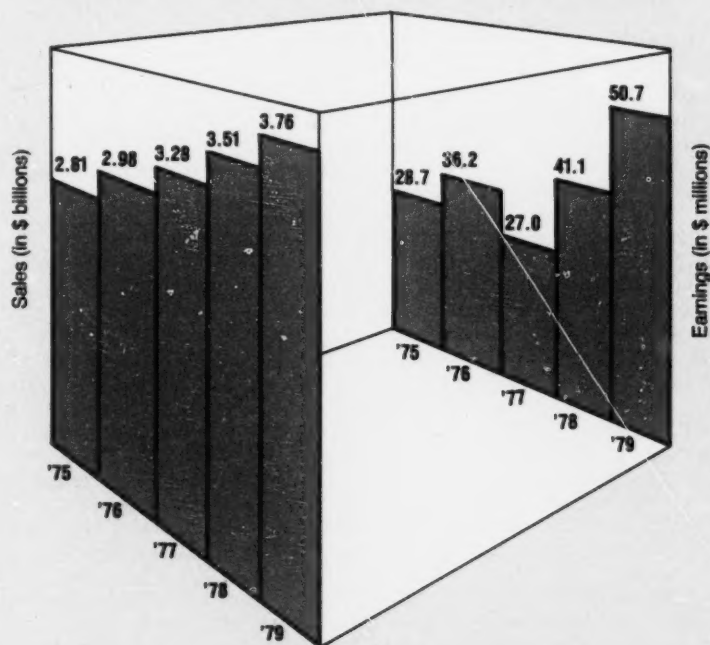
Jewel Cos. operated 357 supers at year-end, not counting limited

formed well, posting a 13% operating income increase on added sales of 15%. Twenty-four new outlets were opened. Osco square footage at year's end was 4.6 million sq. ft., up 5.4% from the end of 1978. Additions planned this year should bring



Chain continues to look for another new drug partner, after collapse of Pay Less buy.

Sales climb continues, record earnings—again



Source: Company Annual Report, SEC Form 10K

Includes Aurrera S.A., Mexico

assortment stores and agency outlets, a drop of seven units from 1978. But total floor space rose by 3.3% to 10.6 million sq. ft., a little less than the 11 million sq. ft. originally planned. Another 35,000 sq. ft. of new space is planned this year.

The Osco drug store division per-

that to 5.1 million sq. ft.

Following a long-standing pledge, Chairman Donald S. Perkins will step down this month after 10 years at the job. He will be succeeded by president Weston R. Christopher, who in December assumed Perkins' other title of ceo. □

Inflation dims Albertson's net



Although the Idaho-based chain has slipped a little from the performance that made it *Chain Store Age Supermarkets'* choice as last year's best-man-

aged chain, Albertson's still compiled a record many operators would envy.

Sales zoomed 17.8% during the fiscal year ended Jan. 31, 1980, rising from \$2.27 billion to \$2.67 billion. Since the prior year had 53 weeks, however, adjusted sales increase was actually closer to 20%.

Inflation made a strong impact on Albertson's bottom line. A switch to the LIFO method caused the 384-unit chain to incur a charge of \$6.2 million on its inventory. On a comparable LIFO basis, total earnings for the year would have been \$44.5 million, a solid 22% gain. As it was, Albertson's rolled up a net profit of \$38.3 million, 5.2% more than the previous year's \$36.4 million total.

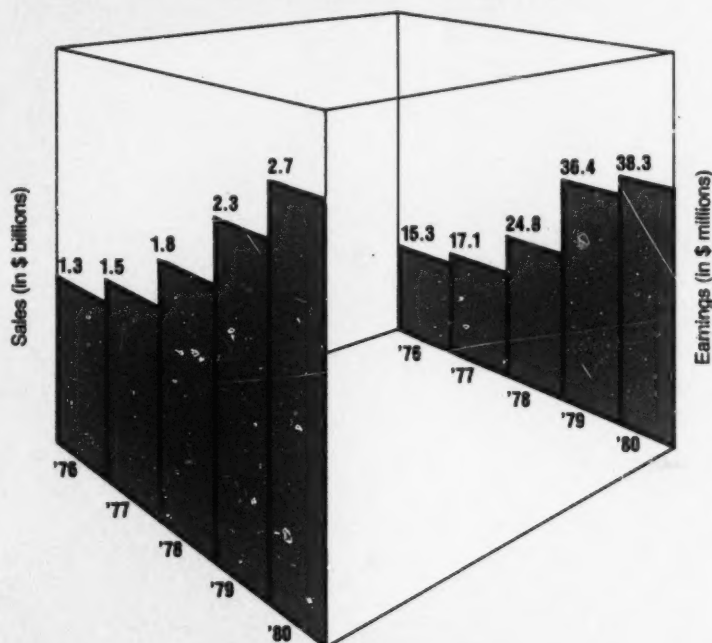
As might be expected, this kind of track record has made the food retailer the object of desire for at least one foreign investor. During the year's final quarter, Theo Albrecht Stiftung, a West German trust, acquired 460,700 shares of Albertson's stock, representing a 6.2% interest in the company. Quick action by the board of directors blunted the possibility of a complete buy-out, which would have been difficult in any case, unless founder J. A. Albertson elected to dump his 23% interest. Albrecht's announced plan is to increase its participation, through a second stock purchase, to 9.9%, but Wall Street now views the Albrecht moves as a passive investment.

"Spiraling real estate costs made the selection and procurement of new store sites more difficult," notes chairman of the board Warren E. McCain, "but we were still able to negotiate acceptable economic terms and open 30 new stores representing 1,171,000 sq. ft. of space during the year, including 11 of the large food/drug combination units in Florida and Texas." The other 19 units are located in California, Colorado, Idaho, Montana, New Mex-



Much of chain's success has been built on superstores featuring service such as deli.

Sales are up, but earnings sag



Source: Company Annual Report, SEC Form 10K

ico, Oregon, Utah and Washington.

The chain's total capital expenditure of \$55 million included major renovation of 14 existing stores. At the same time, 11 older units closed their doors for good.

Maintaining modern facilities is an important part of Albertson's success formula. The chain has built or remodeled 90% of its current units since 1970. Over the same period, it has closed 97 supers that weren't contributing to net earnings.

Albertson's intends to cut new

store construction slightly over the next five years, building 25 units annually between now and 1985. Many of these are certain to be 55,000-sq.-ft. food/drug combinations. This type of unit, pioneered by Albertson's and Skaggs in a celebrated joint venture, now account for 28% of the Boise chain's sales. There are 59 combos in operation in Alabama, Florida, Louisiana and Texas, and the retailer intends to bring the concept into its main western United States trading area in the near future. □

Supermarkets General: market calm in New Jersey boosts profits



One company's misfortunes sometimes spell opportunity for another. That's exactly what happened in the case of Supermarkets General Corp. Pathmark Supermarkets' Woodbridge, N.J.-based parent notched sharply higher sales and earnings for the fiscal year ended Feb. 2, and a temporary lull in competition in the northern New Jersey market area probably deserves most of the credit.

Primarily due to unusually high year-to-year growth registered by its Pathmark division, SGC scored 15.1% higher sales and 13.7% higher net income for the fiscal year, despite a weakening trend in the final quarter that has, to some extent, carried over to the opening weeks of fiscal 1980.

SGC recorded sales of \$2.37 billion for the year, up from fiscal 1978's \$2.06 billion. Net earnings were \$23.5 million for the same period, vs. the year-ago total of \$20.6 million. It is worth noting that fiscal 1978 was a 53-week year, and that revenue from the sale of discontinued operations swelled profits by \$3.6 million during that year.

LIFO also played a major role in limiting SGC's earnings growth during fiscal 1979. Talking the results of the LIFO accounting method into consideration, earnings per share increased to \$2.67 from fiscal 1978's \$2.42. Calculated on a FIFO basis, however, earnings per fully diluted share would have actually been \$3.15 in the most recently completed fiscal year, against \$2.20 per share in fiscal 1978.

Pathmark, which accounts for 87% of Supermarkets General's sales volume and 83% of the company's profits, racked up mammoth gains in both statistics during late 1978 and the first half of 1979, because several rival New Jersey operations either retrenched or went bankrupt. Pullbacks by Food Fair and First National Stores, in particular, eased the pressure on su-

permarket gross margins in the region, as well as decreasing the need for promotional spending. Of course, as shuttered Finast and Pantry Pride units began reopening under new banners, things began to heat up again in this generally hotly contested market.

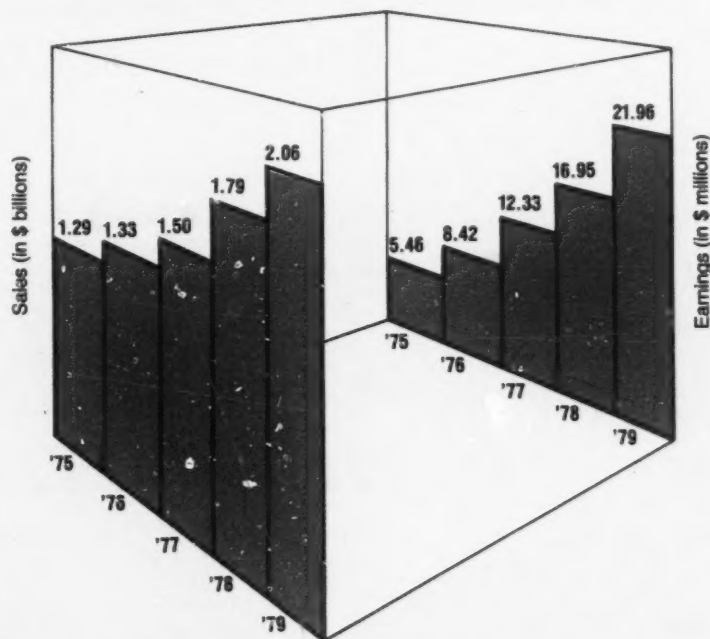
Now, in fact, the situation has altered markedly. Instead of the rela-

money on selected items.

Pathmark gained five supers in fiscal 1979, opening six and closing one. There were 18 enlargements or major renovations. (SGC also opened five nonfood outlets during the period.)

Expansion will continue, but delayed Government approvals and the condition of the mortgage mar-

Pathmark sales, profits advance strongly*



Source: Estimates based on Company Annual Reports

*Does not reflect other SGC divisions.

tively clear sailing it feasted on six months ago, Pathmark is engaged in what amounts to a price war with nearby competitors that has already spread from North Jersey to engulf much of the New York City Metropolitan Area.

The supermarket is facing the sternest challenge to its low price image in its entire history. A&P (Plus) and Grand Union (Basics Food Warehouse) are beating the promotional drums for price, as is its longtime competitor ShopRite. Pathmark's counter is "warehouse prices," designed to save shoppers

ket may reduce the number of new Pathmarks below the 12 now planned. The stand-pat policy the chain appeared to adopt a few years ago is clearly a thing of the past.

Pathmark currently seeks to widen its trading area with stronger moves into the population-dense areas of Pennsylvania and Long Island. This not only pumps more customers through its checklanes, but would act to minimize the ups and downs in performance caused by the volatility of the New Jersey market in which most of its stores are now located. □

Giant takes competition in stride



Long the Washington, D.C., area's highbrow supermarket chain, Giant Food this year found itself in an alley fight, but it emerged intact, barely getting its hair

mussed.

Giant's figures were once again record-setters. Sales increased 15% to \$1.24 billion, and net earnings rose 5.6% to 17.9%. Net-to-sales slipped this year to 1.44% from 1.56%, but by current industry yardsticks that ratio is still anything but standard.

The lower net-to-sales reflects Giant's determination to protect its home turf from a passle of interlopers, especially discounters. A&P's Plus stores, which opened last fall, upset the Baltimore-Washington apple cart and triggered a mini-price war between Giant, Safeway, Grand Union, Pantry Pride and other warehouse and independent operators.

A company spokesman says "Giant is committed to maintaining and building its sales volume as the best guarantee of proper profit performance."

During the fiscal year ended in February, Giant opened four new combination units and completed major remodels on three others. Three units are scheduled for completion this summer, and another trio is due to debut this fall. That will give Giant 127 stores in the Washington-Baltimore area. The company also operates 28 Pants Corrals (specializing in Levi's clothing), five garden centers and a gas station.

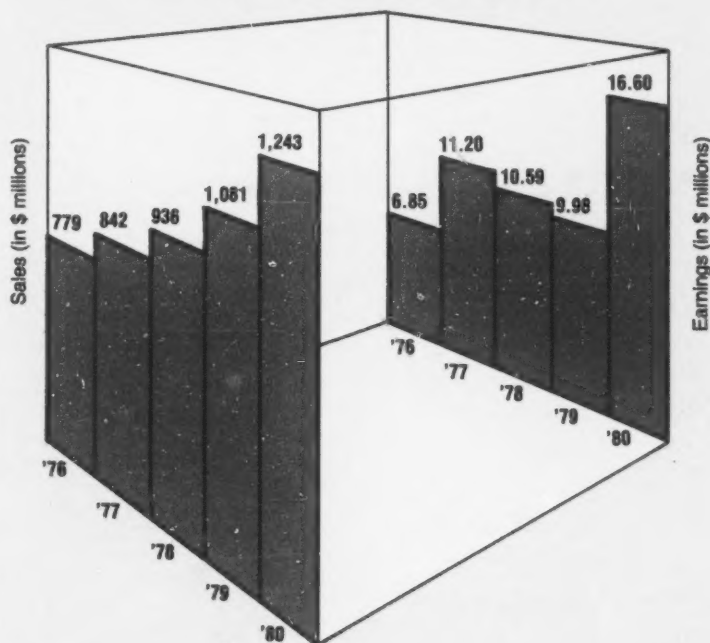
In its steady and continuous growth, Giant has been emphatic in its presentation of full-service food-drug combos, generally about 40,000 sq. ft. Discounting or not, management firmly believes that services and specialty departments are the key to keeping the registers clicking.

And last year Giant became the first major chain to switch all its front-end operations to optical scanning. That changeover is part of the reason Giant was able to trim margins to meet the competition and still turn a good profit.



Total number of units in the Washington-Baltimore area will be 127 by year-end.

Sales, earnings post record highs



Source: Company Annual Report, SEC Form 10K

The chain also changed its operations organization to meet its ever-growing needs. The company divided supermarket operations into two zones, east and west, under which are five and four districts, respectively. Each of the nine district managers is responsible for about 15 stores.

The system is designed to clearly define the store manager's responsibility and give Giant's meat, deli,

produce and grocery specialists more time to concentrate on their areas of expertise.

In its role as the mid-Atlantic area's model corporate citizen, Giant this year became the first major chain to open in center city Washington after a decade of abandonment by big chains. "After 7th and O Street," claims Giant chairman Israel Cohen, "things will start to happen." □

Bold growth plans for 1980 keep Waldbaum's a step ahead of rivals



Waldbaum Inc. broke the \$1 billion sales barrier for the first time last year and, through the early part of 1980 at least, remains stubbornly immune to the business

slowdown.

Despite a precarious 0.71 profit-to-sales ratio that was whittled, in part, by heightened price wars in its tristate trading region, the Central Islip, N.Y., food chain racked up record year-end earnings of \$7.8 million. That's a gain of 11.6% over calendar year 1978.

To a large extent, the 17.2% increase in total volume reflects rampant inflation. Waldbaum officials credit the sizzling sales pace to the opening of 13 new superstores and the shedding of six marginal units.

Eager to broaden the product mix, yet hounded by soaring utility and occupancy costs plaguing the Northeast, management has settled for middle ground by introducing 30,000-sq.-ft. units. The decision is paying off, as average store sales jumped past \$8 million and average sales per selling square foot climbed to roughly \$400.

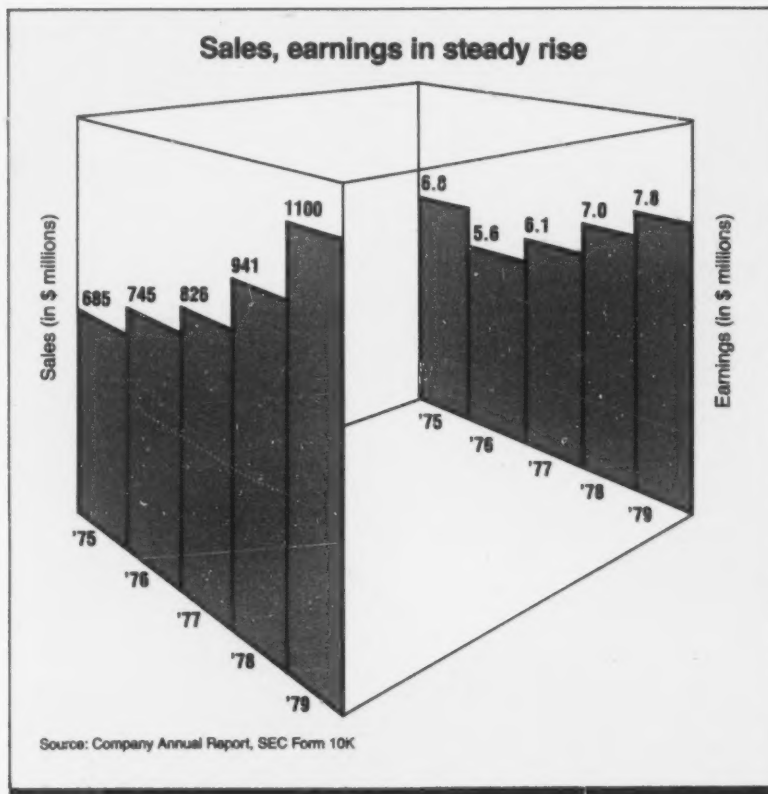
At the close of its fiscal year, Waldbaum's operated 136 super-

'Our strong balance sheets provide us with the flexibility to move forward'

—Ira Waldbaum, president

markets in New York and parts of neighboring Massachusetts and Connecticut, including the 35-store Food Mart division headquartered in the Bay State.

Since April, the publicly owned chain has hatched two new superstores on New York's overstored Long Island, its most familiar turf. But Waldbaum's holds a valuable ace over capital-hungry competitors harshly restrained by tight



credit and exorbitant borrowing rates: A strong balance sheet allows the company to internally generate funds for capital expenditures.

With a growing number of retailers showing signs of a recessionary pallor by selling off existing units and cutting back on new construction in an effort to replenish anemic coffers, Waldbaum's plans of at least 10 new stores makes its portfolio that much more attractive.

Since the first Waldbaum's opened for business more than 75 years ago, the principle of being basically a food store operation has remained intact. Even today, with most supermarket marketers dabbling in "outside" interests or seeking safer margins with expanded general merchandise, Waldbaum's sticks firmly to what it does best—selling food.

To his credit, Ira Waldbaum, president and son of the chain's founder, has nurtured a symbiotic relationship with the store's mil-

lions of loyal shoppers. But this allegiance has never been put to a tougher test than in the past 18 months.

Consider the Waldbaum's store on Northern Boulevard in Queens, N.Y., that was forced to plaster "We will not be undersold" signs on its front window earlier this year to dilute the initial impact of an A&P Plus store opened across the street.

Further price-slashing emerged with the full-scale rage of double couponing throughout most of its trading areas.

Seen by some as an alternative to the tightening marketplace, Waldbaum's is now laying the groundwork for a supermarket in Poughkeepsie, N.Y., following the success of its Kingston, N.Y., unit.

Either way, it's certain that an auxiliary warehouse to its 550,000-sq.-ft. Long Island depot will soon be necessary to serve the growing number of New England and upstate New York stores. □

New in nonfoods

- July will see Gillette's national launch of Swivel, a new disposable razor with a pivoting head.
- On-box coupons on 6-packs of Trop-Artic motor oil is a first for Phillips Petroleum. The program, up for buy-in by the trade this month, offers coupons good for \$1 off the next purchase.
- TV Guide is developing a portable kiosk for supermarket display of all checkout items. The signed, four-wheeled kiosk is designed for a high-traffic location close to the frontend.
- After a four-week test in Sacramento and Charlotte, N.C., Corning Glass Works is making available Sprout Farm Kits to supermarkets as well as other retail outlets this month. The kits retail for \$9.99 and come complete with everything shoppers need—from a glass petrie dish to a sprout jar to actual seeds—to grow their own sprouts. National TV ad support will run Nov. 14-Dec. 14.



- Schmidt Labs is going national with vaginal anti-itch products.
- Harlequin is betting that its success with romances will rub off on its new line, *Raven House Mysteries*. Now in test, the line will introduce four new titles per month. Initial launch: in food stores will display books on off-shelf, cardboard merchandisers.
- Aqua Fresh toothpaste from Beecham is brightening smiles of supermarketers around the country. The entry grabbed about a 15% market share in the fourth quarter of '79.
- Will Fuji Co., well-known for its film products, introduce audio and video tapes to supermarkets? "It's possible," notes a company source. With the video market so active these days, the \$15-\$20 tapes are a natural for supers going into broader GM lines.

Convenience stores get firmer foothold

Convenience stores are elbowing supermarketers for more room in the nonfoods marketing arena. Not only has the number of C-stores soared 114% over the past 10 years to 33,904 outlets, but 75% of C-stores now carry broader nonfoods offerings.

C-stores rely more heavily on such nonfoods categories as toys,

Supermarkets vs. convenience stores

(based on 1979 data)

	Conventional supers	Superstores	C-stores
Average sales per store per week	\$60-\$100,000	\$200-\$230,000	\$7-\$10,000
Selling area (sq. ft.)	12-35,000	35,000+	2,400
Items	8-10,000	15-20,000	3,000
GM/H&BA as % of sales	8%	12%-15%	12%
Average sales per customer transaction	\$10-\$11	\$16-\$17	\$2-\$3
Pretax net	1%-2%	3%	3%
Gross margin	21%	22%	29%
Approximate number of stores	30,000	9,000	33,904

Source: Allen Levis Organization

school supplies, stationery, pet supplies, housewares, magazines, automobiles, film and flash, batteries and soft goods because the old C-store formula just isn't working. Shoppers can no longer afford to pay markedly higher prices for items as a tradeoff for convenience. As is the case with supermarkets, C-stores need higher profit nonfoods to boost overall store net income.

Short takes

Rumors that *Stop & Shop* is planning to open a three-in-one combo store with a Bradlees, a supermarket and a MediMart are unfounded, says a company spokeswoman. *Stop & Shop* is launching its first food/drug combo unit within the next year and a half, she states.

Jewel has made a major commitment to combo store marketing, after swinging back and forth over the past several years. By year end '80, the Chicago-based supermarket chain plans to build eight new Jewel/Osco units, enlarge six and remodel five to get more selling area. Osco pharmacies will be added to already existing Jewel food stores at two other locations. At present, Jewel runs 38 combo units.

Big-ticket electronics mean big bucks to *Albertson's* 55,000-sq.-ft. Fort Lauderdale unit. The store moves one \$289 color TV every two weeks and \$79 black and white sets at a rate of three per week. Solid camera accessories sales of such items as a \$79 wide-angle 28mm lens by Vivitar offset sluggish movement of 35mm cameras.

People going places

Beverly Thompson is now Western regional sales manager for New Jersey-based Wella Corp., consumer products division. . . .

At Gillette: William H. Holtsnider, president, Paper Mate division, has been named corporate vice president. . . .

GTE Lighting has named John W. Anderson president. Anderson is piloting 50 plants, seven labs in 13 countries and 19,800 staffers. . . .

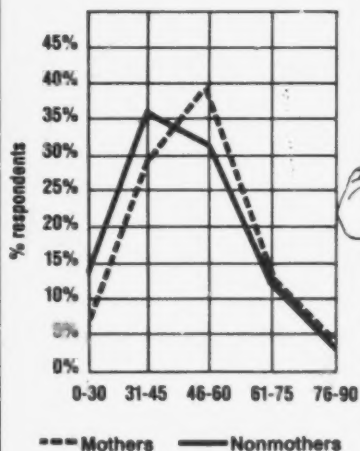
Don Dellavia is assuming the newly created post of Eastern regional sales manager, incentives, home products division of Rubbermaid. Dellavia will help direct the firm's stepped-up marketing efforts in this area. . . .

Thomas J. Wujek is now regional sales manager, supermarket continuity programs, for Ekco Housewares Co. . . .

Dave Copp will direct wholesale sales operations for Rexall.

Supermarkets are No. 1 with young mothers

Mothers spend more time shopping in supermarkets
(Minutes spent shopping)



Source: Parents Magazine Study on the Importance of Young Mothers to the Supermarket

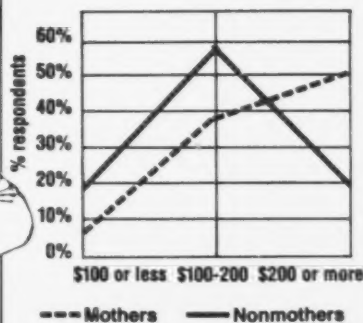


convenience, or other store. More mothers chose the supermarket.

For seven of the nine products studied, the supermarket was the No. 1 outlet for more mothers than nonmothers:

- **Magazines**—23% more mothers use the supermarket as the primary place of purchase for magazines; 6.5 out of every 10 mothers, vs. 5.3 out of every 10 nonmothers, buy most of their magazines in the super.
- **Pet supplies**—8% more nonmothers; 5.6 out of 10 nonmothers,

Mothers spend more money in supermarkets
(Dollars spent per month)



Source: Parents Magazine Study on the Importance of Young Mothers to the Supermarket

New research may cause supermarket marketers to start counting their customers who have kids in the cart. And for good reason. According to a national study presented at the FMI convention last month, mothers spend more time and money in the supermarket than their nonmother counterparts.

Some 53% of mothers, vs. 21% of others, spend in excess of \$200 each month in the supermarket. And 42% of mothers, vs. 32% of others, spend from 45 minutes to one hour on a major shopping trip.

Of special interest to me was the measure of positive response to buying general merchandise: 21% more mothers than other shoppers use the supermarket as their primary outlet for GM purchases. Stores located near, or attractive to, young mothers have a potential for strong GM sales.

Nine hundred fifty-three married women between the ages of 18 and 34 who buy the products studied, were asked where they purchase most of them. Mothers had at least one child under 6 years of age. All respondents were asked if they bought primarily in the supermarket, drug, discount, department,



Allen Bud Levis is president of the Allen Levis Organization Inc., a general merchandise consulting firm with over 16 years of supermarket experience. He has been involved with the industry for over 35 years and is well known as a leader in the supermarketing of GM and H&BA.

vs. 5.2 out of 10 mothers.

- **Women's hosiery**—46% more mothers; close to one-third of mothers vs. 1/4 of nonmothers.
- **Health and beauty aids**—33% more mothers; close to 3 out of 10 mothers, vs. 2 out of 10 nonmothers.
- **Film and flash**—88% more mothers; 1.5 out of 10 mothers vs. 0.8 of 10 nonmothers.
- **Greeting cards**—38% more mothers; 1.1 out of 10 mothers vs. 0.8 of 10 nonmothers.
- **Housewares**—13% more mothers; 0.9 of 10 mothers vs. 0.8 of 10 other shoppers.
- **Sewing notions**—Twice as many mothers; 0.4 of 10 mothers vs. 0.2 of 10 nonmothers.
- **Automotives**—purchased equally by both groups; 0.2 of 10 mothers and nonmothers.

A positive relationship between supermarket GM purchasing and young motherhood means a payoff may exist for stronger GM programs in selected areas.

It demonstrates the importance of knowing how many young mothers potentially or actually frequent each store. Such knowledge, coupled with new research facts, may help decide where to emphasize or expand general merchandise.

Copies of the complete Parents Magazine report are available from the Allen Levis Organization.

Presidential candidates speak on industry issues

ChainStoreAge Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

July 1980

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1980 SALES MANUAL

A product by product
analysis of supermarket sales

Including: How retailers track
incidence of purchase with

Scan Data...



Inflation punched up the average 1979 sales ticket to \$11.60—over a dollar higher than 1978 page 26.

Special Report: 1979

CSA looks at industry performance over the past year: the effect of inflation and recession; the surge of generics; plus a tracking of the top chains, superstores, co-ops/voluntaries and convenience stores 26

Category Performance

An analysis of the product performance of 35 supermarket categories, in terms of dollar volume, unit movement, gross margins, sales and profit contribution—supplemented with scan data on how retailers track incidence of purchase.

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Victory forming voluntary group

New York State-based Victory Markets is actively courting the region's independent operators in a bid to form a voluntary group while strengthening its wholesaling muscle.

The 88-store chain operates two distribution complexes out of its Norwich, N.Y., headquarters. With 250,000 sq. ft. devoted to dry groceries and perishables, Victory says it is equipped to handle a large number of members without immediate expansion.

"We're ready to start with two independents—or 32," says Philip Arnone, who's been tapped to direct the wholesale operations division. He'll head a team of seven buyers and a distribution services manager, which collectively will provide full-support services.

Victory feels the vast agricultural regions of northern and central New York can support another wholesaling arm, despite the omnipresence of S. M. Flickinger.



Vincent Little

Roundy's Little sees shift in supermarket biz

Challenges already on the horizon will dramatically alter the retailing scene in general and food retailing in particular, according to Vincent Little, president of Milwaukee-based Roundy's Inc.

The challenges include inflation, high interest rates, energy shortages, consumer lifestyle shifts and labor organization mergers, Little

Most heavily promoted food items in drug stores

Product	Size	Drug store Price	Supermarket price range*
1. Pepsi-Cola	16-oz. 6-pack	\$1.19-1.49	\$0.99-1.65
2. Planters cocktail peanuts	12-oz. can	0.99-1.00	1.09-1.39
3. Doritos tortilla chips	7½ oz.	0.89	0.79-0.99
4. Coca-Cola	16-oz. 6-pack	1.29-1.49	1.39-1.63
5. Nabisco Ritz crackers	7¼-oz. box	0.69-0.93	0.79-0.85
6. Planters dry-roasted peanuts	12 oz.	0.99-1.00	0.95-1.19
7. Pepsi-Cola	2 liter	0.99-1.00	0.89-0.97
8. Bumble Bee tuna	6½-oz. can	0.73-0.79	0.69-0.85
9. Coca-Cola	2 liter	0.93-0.99	0.89-1.00
10. 7-Up	2 liter	0.89-0.99	1.09-1.43
11. Planters dry-roasted peanuts	16 oz.	1.29-1.59	1.99
12. Fritos corn chips	7 oz.	0.69	0.89
13. Sunmaid seedless raisins	9-oz. box	0.79	0.85-0.99
14. Crompton noodle casserole	22 oz.	1.19-1.39	1.89-1.89
15. Heinz ketchup	32 oz.	0.89	0.79-0.99

*Based on supermarket prices advertised in May 1980

Source: Drug Store News

told a group of Milwaukee business leaders.

Because of them, retailers will be forced to a higher level of sophistication, according to Little. They'll have to adopt more automated processes to improve cost controls and operating efficiency.

Biz-sci firm to aid supers

Headed by former Supermarkets General Corp. vice president Fritz Biermeier, F. T. Biermeier Associates, management science consultants, has set up shop in Minneapolis, Minn.

Biermeier was an original member of the UPC symbol selection committee and served from 1971 to 1977 as a member and director of the Universal Product Code Council.

A graduate of the University of Wisconsin, the industry consultant also served as vice president, information services for Red Owl Stores from 1967 to 1973.

The Biermeier firm specializes in developing systems for gross margin performance improvement, maximizing return on electronic and scanning-equipped checkout systems and improvement of administrative word-processing productivity.

Chain drug stores vie for food dollars

Faced with increasingly recession-strapped consumers, chain drug stores are beginning to compete in earnest for at least some of the dollars traditionally spent in supermarkets and convenience stores.

More and more drug outlets, claims *Drug Store News*, are turning to food to increase traffic, push high-movement items and establish discount images—including drug chains that never would have considered food items a few years ago. They're doing it by doubling the number of food items they carry, by putting their food sections in more prominent traffic-flow positions and by opening small (2,500-sq.-ft.) mini-combo drug and food outlets.

Most heavily promoted are the food products that meet two criteria: being available on deal and having the greatest appeal to the consumer.

Some drug outlets will compete with convenience store prices. Some try to undercut the C-stores. And some, like Dallas-based Skillern's, go head to head with traditional supermarket prices. But all with food aim to cut away a portion of supers' business.

American sets 10 new combos



American Stores, a pioneer with Albertson's of food/drug combination units a decade ago under the Skaggs name, intends to increase construction of such outlets this year, says executive vice president Richard L. Shanaman. Button-holed at the company's recent stockholders meeting in Salt Lake City, Shanaman told CSA that American will open eight to 10 combos this year, vs. just five in 1979.

Shanaman also indicates that American will no longer be shackled to a single size for such stores. While most of the company's combos are in the 55,000-sq.-ft. range, the new ones will run the gamut from 40,000 sq. ft. to as large as 70,000 sq. ft.

"Smaller-size combos are not new for us," insists Shanaman. "Our first combo—in Las Vegas 11 years ago—was 39,000 sq. ft." (This unit will soon be expanded by 2,000 sq. ft., space limitations preventing a larger expansion.)

The 40,000- to 45,000-sq.-ft. units, which Shanaman calls "quasi-combos," will not have the customary 50-50 split between grocery and drug but will be divided 60% food to 40% drug. "If we made it 50-50 in those smaller combos," the American Stores executive explains, "we would not be able to be competitive in grocery."

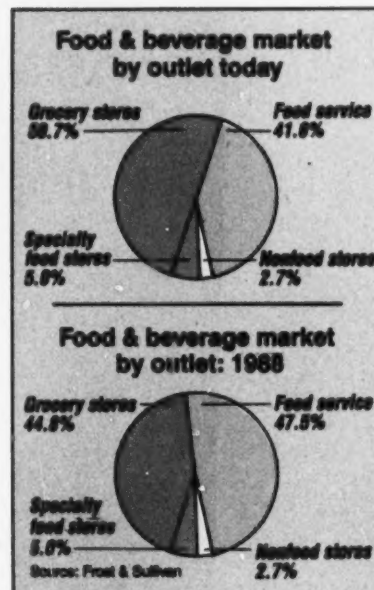
The chain's only 70,000 square footers are located in Las Vegas. The extra space is primarily devoted to jumbo-size liquor departments.

Fast food to top grocery by 1988

The food service industry will overtake the grocery business as the nation's leading marketer of food and nonalcoholic beverages by 1988, forecasts Frost & Sullivan, New York City.

"Food-service sales will grow by 120% in dollars . . . as compared to a 70% growth in grocery store sales," states the 512-page report,

"New Food & Beverage Products Market" produced by the company. According to this projection, grocery stores will account for 44.8% of the food and beverage market by 1988, vs. 47.5% for food service. The main reasons Frost & Sullivan cites are a continuing trend to away-from-home feeding at the expense of take-home foods purchased at grocery stores and the rise in the volume of institutional feeders.



Canoe helps sell wild rice



Leave it to a discount food store to come up with a novel way to sell Uncle Ben's long grain and wild rice mix.

The Warehouse, west of St. Louis, last month filled an aluminum canoe (borrowed from a local sporting goods store) with over 1,000 boxes of wild rice mix. Naturally the boxed rice was bought on a deal. Says one Warehouse store manager, "We like to give our customers an element of surprise. After shopping the racks for food, they get a kick out of something different. Besides, our sales on the rice are running about 50% better than the last time we ran a rice promotion without the canoe."

Recession spurs generics

The advent of the 1980 recession is giving no-frills products their biggest boost since they first appeared in this country in 1977.

As the recession pinches pocket-books and supermarket shoppers trade down, generics are there with savings at retail of 20%-30% over national, packer and private label brands in certain categories. More supers are stocking the plain label products to build traffic and to take advantage of gross margins which

in some cases are considerably greater than traditional labels.

Awareness of generics among consumers is increasing, too. An FMI survey by Yankelovitch, Skelly and White in February, before the Government declared a recession, shows 66% of chain supermarket shoppers are aware of generics, compared to 61% in Febru-

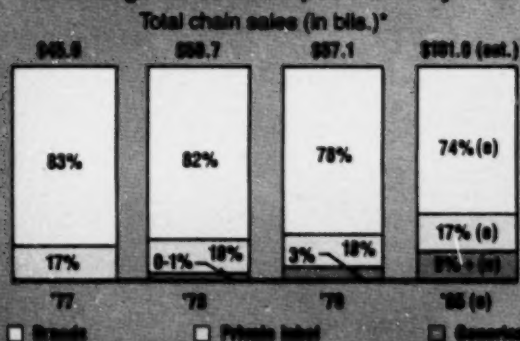
ary 1979. A total of 52% of those surveyed say they are "very interested" or "somewhat interested" in generics.

Among women shoppers, the largest group expressing interest in generics was under 35 years old, followed by those in the 35-49 age bracket and finally by those over 50.

The situation has changed dramatically from a year ago when market researchers found consumer interest in generics had peaked on a nationwide basis. That was before the recession began to



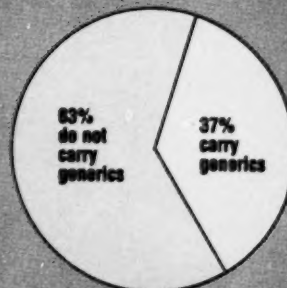
Potential generics share put at 10% by 1985



*Grocery, paper goods, household supplies, H&A sales only.
Sales in these four major supermarket categories will exceed \$100 billion by 1985. Generics and generic-like products are expected to eat most heavily into brand sales.

Source: CBA Research

Over one-third of stores carry them



From zero distribution early in 1977 to representation in nearly 15,000 supermarkets today, generics now account for close to \$5 billion in sales. By 1985, some 90% of all supermarkets will carry the no-frills lines and ring up sales of almost \$10 billion.

Source: CBA Research

cut into the disposable income of supermarket shoppers.

Now a second and larger wave of interest is building, spurred by the recession.

There is a strong feeling in the industry that the recession has given generics the beachhead they need to make an even greater impact in the years ahead. This is borne out by *Chain Store Age Research*, which shows generics and generic-like products such as Safeway's "Scotch Buy" label will make significant inroads in four important categories: grocery, papergoods, household supplies and health and beauty aids.

By 1985 the no-frills products in these categories will account for 9% of total chain supermarket sales of \$101 billion, assuming present trends continue. This will leave national brands with a 74% market share, down from the 83% share held in 1977 before generics were introduced by the Chicago-based Jewel chain, which got the idea from the French chain Carrefour. Jewel introduced the items too late in 1977 for them to appear in the year's statistics.

Generics first show up in the statistics in 1978 when they accounted for no more than 1% of total chain supermarket sales on a nationwide basis. But it wasn't until last year, when their share of market in these four high-velocity categories reached 3%, that they made a significant impact.

The trend is reflected in the number of supermarkets that carry the plain label items. Except for Jewel, generics weren't found on supermarket shelves in 1977. A survey completed in the spring of 1979 showed 10,000 food retailers stocked some generic items. By now nearly 15,000 supermarkets are stocking generics and on present trends 90% of all supermarkets will carry them in 1985.

The more than one third of supers which now carry generics report they derive total sales of almost \$2 billion from the no-frills items.

The reaction from manufacturers of nationally distributed consumer packaged goods to generics is predictable. It is summed up by SAMI vice president Allen B. Miller Jr., who told a seminar, "As a 35-year veteran in this business of marketing, I don't like private label brands very much. [SAMI's system of classification includes generics in private label.] In fact, I don't like them at all. I'm afraid of them."

"I like the excitement of new products too much. When was the last time you saw an innovative new

product from A&P? I know the answer to that. Never! Private label brands are like leeches, living off the products which were developed as a result of vision, investment and the marketing skills of our fine packaged goods companies.

"But if the only thing that's important to you is to save 7 cents on a

Second wave of interest builds in no-frills as disposable income declines

can of peas, I admit it can be done with private label brands. And if your store carries generic labels, you can save as much as 14 cents," Miller says.

Savings is the name of the game in generics, and as the recession continues the claimed savings increases. Many chains claim in their advertising that generics offer savings of 30% on average, and a few claim bigger savings. The record at

this point is held by Smith's Food King in California, where a *CSA Supermarkets* reporter saw shelf-talkers that claimed a savings of "up to 50%."

In its generic section Smith's names names in comparing the savings. For example, it lists its generic chili with beans on a shelf-talker at 59 cents for the 15-oz. size and then adds, "Why pay 79 cents for Dennison's chili with beans?"

Direct price comparison between generics and other labels is on the increase, especially in the more competitive markets. For example, in California some supers now integrate generics into regular aisles, permitting shoppers to see the price differences between national, private label, packer label and generic label products. This is a new direction for generics, which in the past have been mostly merchandised in their own aisles.

Meanwhile, more and more chains are adding generic items to the mix, especially generic non-foods, which seem to have the strongest appeal among consumers. □

Time for no-frills is now

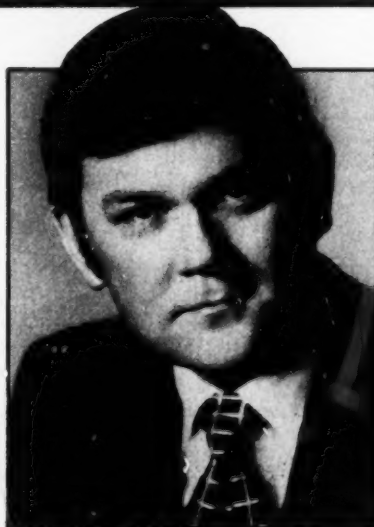
No single chain management or chain supermarket executive is more outspoken about the impact generic products and no-frills merchandising will have on North American retailers and manufacturers than David Nichol, president of Loblaw's in Canada.

It's not that name brands are dead, claims the thought-provoking Loblaw executive; rather, "It's absolutely the right time for no-name products and no-frills merchandising. Anyone connected with food retailing who rejects this hypothesis is doomed to see his market share decimated by value-oriented no-name products" during the 1980's.

Nichol goes even further. "Any individual who doesn't believe today is no-frills time is equally doomed to see the real value of his income seriously eroded by runaway inflation over much of this decade."

To support his "timeliness hypothesis," Nichol cites what happened to one well-recognized and quality product when a comparable no-name item was recently introduced.

"A. C. Nielsen figures," he says,



Loblaw's David Nichol

"indicate disposable diapers are the most brand-loyal item sold in a supermarket. In Ontario, Pampers have held a market share in excess of 80%. This was also true of sales share in our Loblaw stores." In fact, for 1978, Pampers accounted for 85% of the chain's disposable diaper sales.

Early this year, Loblaw's intro-

duced no-name diapers.

Within five weeks the food chain was moving 1,600 cases of the product a week. Pampers dropped dramatically to a 19% share of category sales. At the same time, total disposable diaper sales skyrocketed 300%.

Loblaws stores experienced similar happenings with the introduction of no-name products against such well-known brands as Tide detergent, Kraft dinners, Ritz crackers, instant and regular grind Maxwell House Coffee—even Perrier water.

Today, Loblaws carries over 300 no-name products. That adds up to 4.5% of the approximately 6,800 items stocked in the chain's warehouses. But, as a means of illustrating the significantly higher rate of turnover of generic products, Nichol says, "these products represent over 16% of our actual warehouse shipments."

proach paralleled that of most United States grocers in the early 1920's. Consumer trust was more in the integrity and reputation of the individual store owner than in a particular brand.

National brands evolved as a result of advancing technology that enabled industry to get into mass production—the development of a national highway system to freely transport huge quantities of goods—and the growing availability of advertising talent and media to make the brand names better known.

As individual stores regrouped into chains and the grocery store evolved into a semblance of today's supermarket, the consumer's trust in the now-absent store owner was transferred to now-familiar brands.

Over the years following World War II, particularly, secondary brands (including packer brands) were introduced more and more—

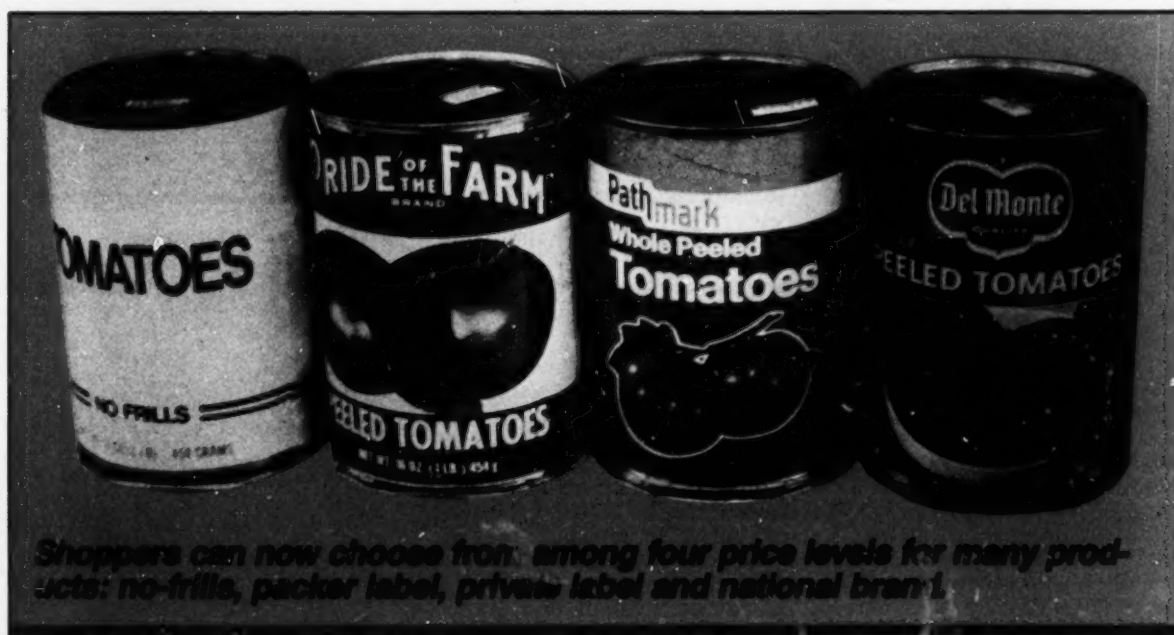
tional value." Of the 18 original items introduced that year, only two survived.

A year later, while visiting Carrefour (a hypermarket chain in France), Nichol was particularly impressed with the French mass-retailer's no-name product presentation. He had samples of Carrefour's offerings sent back to his company's Canadian laboratories for study.

In March 1978, Loblaws introduced the first 16 generic products in Canada under the bright yellow wrap and no-name tag.

Loblaws' generic introduction caught the eye of the Canadian press like no other retail event in years. Says Nichol, "The media exposure was tremendous. And the consumer response was enormous."

Astounding results: The enormity of the introduction was monitored by A. C. Nielsen. The ensuing study concluded that in a



Translated into terms brand manufacturers don't like to hear, it means that Loblaws' shoppers are purchasing no-name products at the rate of 78 million items a year. Or put another way, generic items ring up over 10% of every dollar spent on food in Loblaws' today.

Generic history: Loblaws, the first self-service supermarket to open in Canada (shortly after World War I), has been into generic products since its inception. T. P. Loblaws' first store carried generic crackers (in a cracker barrel), pickles (in a barrel), bacon, bread, produce, rice and a small smattering of dry groceries. The Loblaws ap-

proach largely for promotional purposes. In the 50's, many now-well-entrenched chains developed their own private labels that often mimicked the national brands as closely as the law would allow—especially in labeling.

Until the early 1970's, other than at chains such as A&P, First National and a handful of regionals, secondary brands and private labels met with limited success. Coming into 1970, private labels in the United States accounted for less than 10% of total grocery sales.

In 1975 Loblaws came up with an experimental line of large-size-only products that wore the tag "except-

few short months no-name captured huge market shares in each category. Says the Loblaws executive now, "The results surprised everybody. Nielsen's reaction was an uncanny 'Wow!'"

Clearly, generic products had caught on in Canada. In the two years since its introduction, Loblaws' no-name product mix has risen to a point where it now adds up to over 10% of total grocery sales.

"And that's only the beginning," claims Nichol. "We're not witnessing a passing fad. No-name products are for real and they'll take hold in the United States, too. Their time is now." □

Warehouse store boom unleashes battle over manufacturer deals

The meteoric rise in the popularity and importance of the warehouse store format—many units are doing well above \$300,000 per week in sales—is making suppliers' deals one of the hottest issues in the food business today.

Warehouse stores didn't invent "deal only" food retailing. Conventional chains like Weis and Pathmark have made adroit use of deal merchandise one of the cornerstones of their marketing thrust.

What some chains and independents find objectionable is the warehouse units' practice of loading up on particularly juicy deals and then banging away with the low price for weeks—even months—after the allowance period has ended.

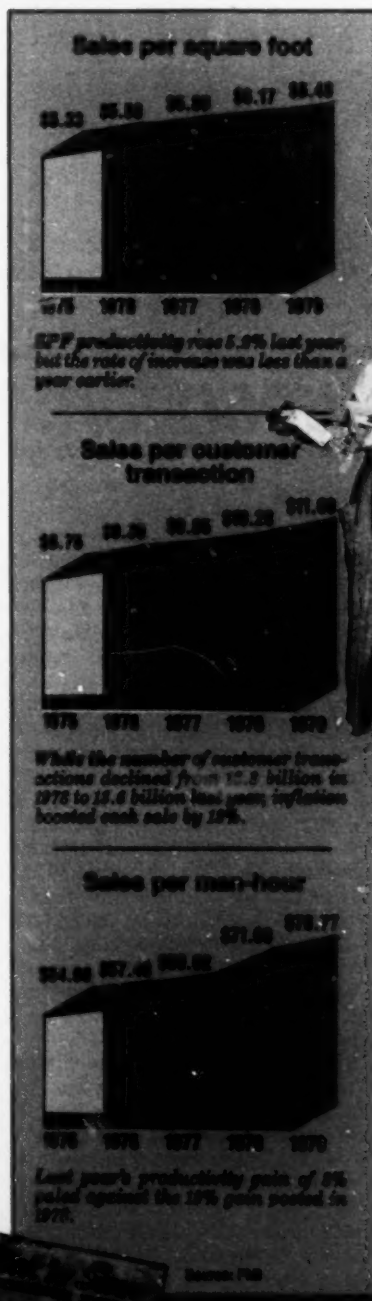
"I feel that nothing is unfair if the consumer benefits," one retailer, whose views typify those of operators of conventional units, told CSA, "but manufacturers are making a mistake by letting their marketing departments dictate policy. It's in the manufacturers' best interest to sell the widest range of products over the longest period of time, but the deal only stores are cherry-picking. What's more important, higher sales this month—or throughout the entire year?"

"We deliver for the manufacturers," says another chain executive. "We expose their products to the public, we carry full lines and we advertise." Warehouse store people

insist that deals may enhance their stores' low-price image, but they aren't the whole story. "Warehouse stores have some basic advantages," points out Bill Bishop, industry consultant. "These include operations efficiencies, restricted inventory, less pressure from unions and the space and authority to buy into deals right at store level."

Although chains like Pathmark, Schnucks and H. E. Butt have successfully competed against the warehouse stores by going eyeball to eyeball on price, many conventional supermarket operators look for relief from the suppliers. At least one, Procter & Gamble, has limited deal buy-ins based on how long the product was carried by the store before the allowance period, but such programs are reportedly having little effect. Some regular supers are retaliating by pulling certain items from the shelves in response to what they deem unfair treatment, but this is not widespread at the present time.

Where will the controversy lead? "This fight will stay with us for at least the next year," predicts one industry observer. "There's just no pat solution in sight. Manufacturers are going to have to clean up their act and make the first move." □



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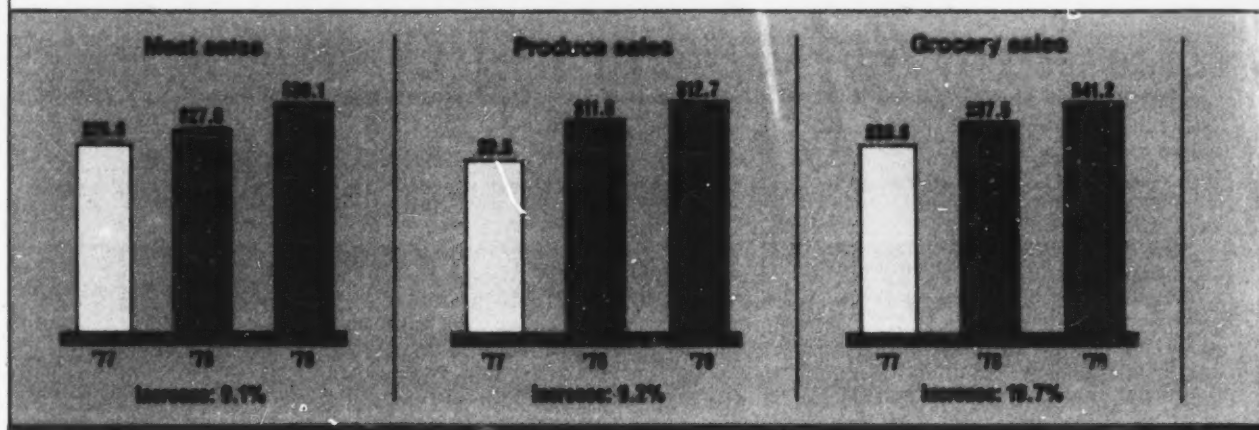
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OPEN ON SECOND FLOOR



H&BA shows largest sales increase . . .



Superstores get the lion's share

Superstores passed a major milestone last year, accounting for more than half of all supermarket sales for the first time in history. Outlets racking up more than \$5 million in annual volume represented 51.5% of the 1979 total.

Superstores have attained this dominant position in the retail food business through both a rapid growth in the number of stores and an increase in sales for each unit in the superstore category. The number of stores with annual volume exceeding \$5 million jumped 16.2% last year, rising from 9,309 in 1978 to 10,703 in 1979. Over the same period of time, superstore sales grew a substantial 28.9%—two and a half times the sales growth rate for the supermarket industry as a whole—to \$80.8 billion.

In light of this dominance, *Chain Store Age Supermarkets* has revised its chart to divide the over \$5 million category into two groups: stores achieving sales of between \$5 million and \$10 million a year, and those "super superstores" that are doing more than \$10 million in sales. (At the same time, CSA has combined two former classifications, "less than \$1 million" and "\$1 to \$2 million," into a single line. Analysis shows that units doing less than \$1 million are more properly categorized as limited assortment or convenience stores.)

Another indication of the superstores' power is that, although they

now have the lion's share of the business, they represent just 27.1% of total units.

This picture is changing, however, as retailers continue to phase out smaller, less profitable stores in favor of high-volume—and high-profit—superstores.

Chains still operate the vast majority of supers doing in excess of \$5 million annually, 94.2%, but co-ops

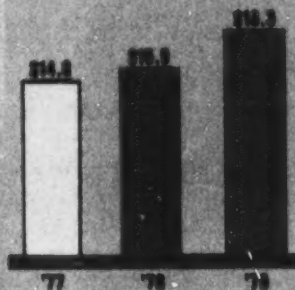
and voluntaries are definitely increasing their activity in this area. Though they only fielded 3.0% of all superstores in 1978, they upped this figure to 7.0% last year. In fact, when it comes to the really big outlets—those with more than \$10 million in yearly sales—independents show considerable strength, operating 11.0% of those gilt-edged stores. □



Superstores up sales share to over 51%				
Supermarkets	Chain-operated	Single-owned	Total	1979 sales (\$000 omitted)
\$1 million to \$2 million	3,152	5,765	8,917	\$14,267,000
\$2 million to \$3 million	4,726	4,102	8,828	\$22,070,000
\$3 million to \$4 million	5,246	829	6,075	\$22,640,000
\$4 million to \$5 million	3,408	573	3,981	\$17,118,000
\$5 million to \$10 million	7,517	486	8,003	\$22,808,000
Over \$10 million	2,109	281	2,390	\$27,970,000
Total	27,488	12,016	39,504	\$168,900,000
Source: CSA Research				

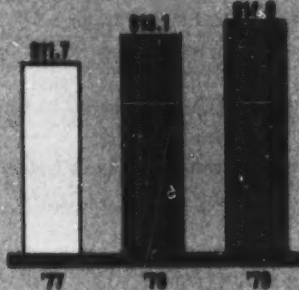
while bakery/deli slows (sales in billions)

Dairy sales



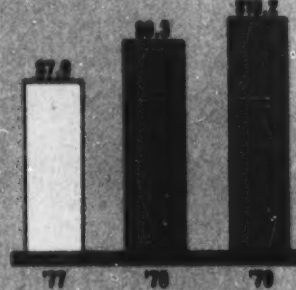
Increase: 15.5%

Bakery/deli sales



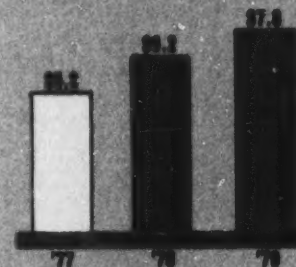
Increase: 9.5%

Frozen food sales



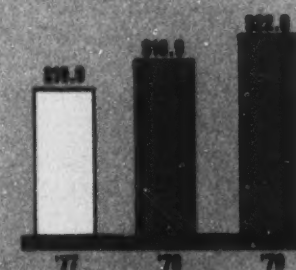
Increase: 9.8%

H&A sales



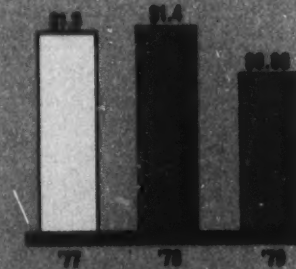
Increase: 25.9%

GM sales



Increase: 15.4%

Misc. sales



Decrease: 45%

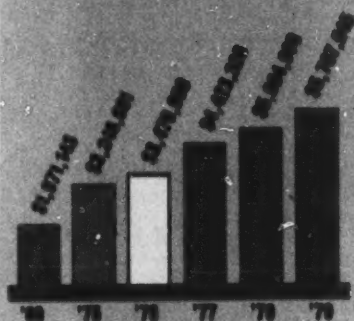
Supers grab 90% of retail sales

Store classification	Units	Sales (\$00 millions)	Supers' % of super, groc. and conv. sales	Supers' % of total sales
1969				
Supermarkets	40,213	\$ 88,683,000	79.9	74.7
Supers, groceries and convenience stores	229,000	70,965,000		
Others	58,400	4,911,000		
Total food stores	282,300	78,669,000		
1975				
Supermarkets	41,324	\$102,985,335	83.8	79.0
Supers, groceries and convenience stores	186,300	122,985,000		
Others	59,000	9,033,000		
Total food stores	227,500	131,428,000		
1976				
Supermarkets	40,416	\$113,120,000	86.2	80.2
Supers, groceries and convenience stores	160,481	131,133,070		
Others	57,800	9,851,000		
Total food stores	217,997	140,984,080		
1977				
Supermarkets	39,582	\$125,043,000	89.5	82.1
Supers, groceries and convenience stores	144,581	141,300,000		
Others	69,219	11,000,000		
Total food stores	213,782	182,390,000		
1978				
Supermarkets	39,688	\$140,700,000	90.1	82.5
Supers, groceries and convenience stores	186,580	187,980,000		
Others	61,154	12,520,000		
Total food stores	287,250	170,900,000		
1979				
Supermarkets	39,354	\$186,300,000	90.1	83.9
Supers, groceries and convenience stores	142,730	174,083,000		
Others	66,970	12,600,000		
Total food stores	289,700	186,229,000		

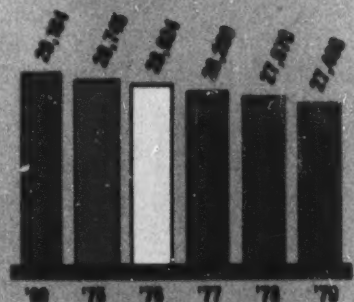
Source: Chain Store Guide, CSA Research

Note: According to U.S. Census of Business, food stores include grocery stores, meat and fish markets, fruit and vegetable stands, candy, nut and confectionery stores and retail bakeries.

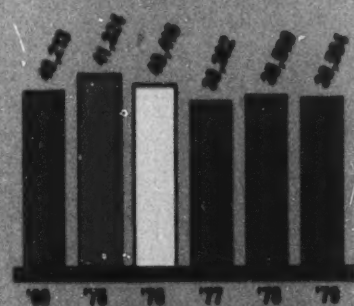
Average sales
per chain supermarket



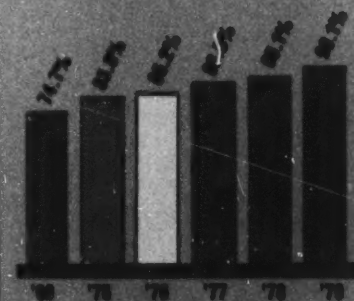
Corporate chain-operated
supermarkets



Number of
supermarkets



Supermarkets' share of
grocery store sales



Source: CSA Research

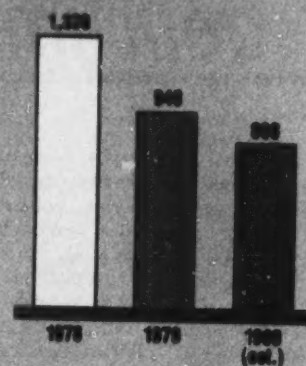
Top 100 chains

Rank	Chain	Stores (1979)	Stores (1978)	1979 Sales Volume	Estimated per store Average
1.	Safeway	2,425	2,428	\$13,717,361,000	\$ 5,656,849
2.	Kroger	1,234	1,202	9,029,315,000	7,317,111
3.	A&P	1,542	1,573	6,684,179,000	4,334,746
4.	Americana Stores	1,100	754	6,120,963,000	5,564,512
5.	Lucky Stores	509	487	5,815,927,000	11,426,182
6.	Winn-Dixie	1,207	1,152	4,930,000,000	4,082,137
7.	Jewel Co.	738	587	3,760,000,000	5,108,865
8.	Grand Union	791	858	3,137,612,000	3,966,639
9.	Albertson's	384	354	2,673,847,000	6,963,143
10.	Supermarkets General	113	109	2,372,574,000	20,996,230
11.	Publix	231	218	1,942,562,000	8,409,359
12.	Allied	87	84	504,000,000	5,793,103
13.	Stop & Shop	154	159	1,878,864,000	12,200,415
14.	Dillon	528	495	1,792,216,000	3,394,348
15.	Food Fair	200	219	1,461,000,000	7,305,000
16.	City Products (Vons)	116	141	1,453,000,000	12,525,862
17.	Fisher Foods	146	157	1,336,293,000	9,152,691
18.	Giant Food	117	117	1,242,620,000	10,620,683
19.	First National	274	286	1,111,691,000	4,057,266
20.	Weidbaum's	136	102	1,103,443,000	8,113,551
21.	Fred Meyer Inc.	63	61	1,080,203,000	16,828,619
22.	National Tea	243	214	1,045,695,000	4,303,271
23.	Borman's	82	80	905,400,000	11,041,483
24.	Federated (Ralph's)	97	98	882,700,000	9,100,000
25.	Gamble Skagmo (Red Owl)	90	97	800,000,000	8,888,000
26.	Cullem	120	114	782,520,000	6,521,000
27.	H. E. Butt	150	147	728,000,000	4,853,333
28.	Hy-Vee	110	83	683,000,000	6,209,090
29.	Weis	109	99	606,346,000	5,562,807
30.	J. Weingarten	101	102	566,118,000	5,605,129
31.	Smith's Management	127	96	621,000,000	4,889,783
32.	Schnuck's	52	50	500,000,000	9,615,384
33.	Price Chopper	53	56	520,800,000	9,826,415
34.	Meljers	28	28	494,000,000	17,642,857
35.	Kohl's	75	74	492,000,000	6,560,000
36.	Chatham	46	45	482,000,000	10,478,260
37.	Arden Mayfair	105	103	460,479,000	4,385,514
38.	Altman	92	89	435,999,000	4,739,119
39.	Thrifty Mart	43	44	431,670,000	10,043,486
40.	Stater Bros.	75	78	420,567,000	5,607,560
41.	Foodtown (H.C.)	65	55	415,973,000	4,893,800
42.	Foodrama	44	43	413,016,000	9,386,727
43.	Giant Eagle	49	44	406,500,000	8,295,918
44.	Nash Finch	103	111	388,934,000	3,756,640
45.	Bruno's	50	49	385,595,000	7,711,900
46.	Party Supreme	103	108	381,000,000	3,699,029
47.	Penn Traffic	64	44	375,573,000	5,866,328
48.	Sentry	66	85	368,679,000	4,286,965
49.	Big V	26	24	357,964,000	13,768,615
50.	Wegman's	34	34	350,000,000	10,294,117

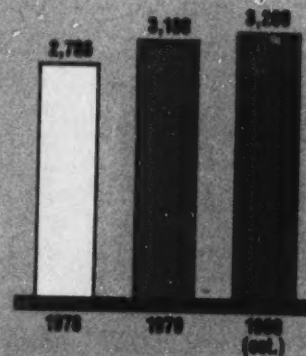
Source: CSA Research based on annual reports, 10-K forms and other published data. Where data not available, figures have been estimated.

Rank	Chain	Stores (1979)	Stores (1978)	1979 Sales Volume	Estimated per store Average
51.	Schwegmann	10	10	\$335,000,000	\$33,500,000
52.	Pueblo Int'l	41	53	330,773,000	8,067,634
53.	Harris Tester	80	74	329,614,000	4,120,175
54.	Seaway Foodtown	54	52	325,856,000	6,034,370
55.	A. J. Bayless	58	57	319,837,000	5,514,431
56.	King Kullen	53	50	318,363,000	6,006,849
57.	Shaw's	37	34	312,000,000	8,432,432
58.	Hughes	35	26	300,000,000	8,571,428
59.	The Boys	40	40	300,000,000	7,500,000
60.	Tradovell	119	114	300,000,000	2,521,008
61.	Smith's	17	18	288,000,000	16,941,176
62.	Mayfair (Foodtown)	39	41	280,000,000	7,179,487
63.	Shopwell	69	83	279,000,000	4,043,476
64.	Almas	41	40	275,000,000	6,707,317
65.	Raley's	34	31	270,000,000	7,941,176
66.	Schultz Sav-O	35	38	261,950,000	7,484,285
67.	Deichamps	50	53	260,000,000	5,200,000
68.	DeMoules	26	22	252,000,000	9,692,307
69.	Handy Andy	50	56	250,000,000	5,000,000
70.	Star Supermarkets	41	40	248,904,000	6,070,829
71.	Victory Markets	86	86	241,614,000	2,809,465
72.	Red Food	34	32	239,000,000	7,029,412
73.	Mott's	24	22	234,792,000	9,783,000
74.	Village	20	22	232,165,000	11,608,250
75.	Fred W. Albrecht	23	22	231,000,000	10,043,478
76.	Brookshire	62	58	230,000,000	3,709,677
77.	Minsky	52	47	228,600,000	4,396,153
78.	Piggly Wiggly (RN)	69	74	226,000,000	3,275,362
79.	Country Club	42	41	220,000,000	5,238,095
80.	Itasca-Jungle	53	37	219,186,000	4,135,584
81.	Therofore Markets	59	59	218,347,000	3,700,796
82.	Inglis	72	55	249,000,000	3,458,000
83.	Randall	13	30	195,750,000	15,057,692
84.	Milgram	51	42	188,000,000	3,686,274
85.	Houshens	51	50	175,000,000	3,431,372
86.	Lowe's (N.C.)	63	60	163,423,000	2,594,015
87.	Sartvner	62	62	616,000,000	9,935,483
88.	Farr's	92	103	616,000,000	6,695,652
89.	Bi-Le's (S.C.)	109	106	604,800,000	5,548,623
90.	Big Bear	29	28	420,000,000	14,482,758
91.	Fareway	37	37	246,400,000	6,659,459
92.	S. M. Ploetinger	63	69	204,430,000	3,244,921
93.	Yamarkin	35	35	201,600,000	5,760,000
94.	Super Value	28	28	201,524,000	7,197,286
95.	Peter J. Schmitt	39	38	181,440,000	4,652,308
96.	Melmarkets	15	12	174,720,000	11,648,000
97.	Save Mart	28	25	168,000,000	6,000,000
98.	Consumers Market	30	27	168,000,000	5,600,000
99.	Food World	37	36	168,000,000	4,540,540
100.	Giant (Pa.)	25	25	168,000,000	6,720,000

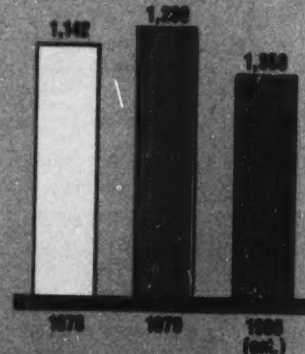
Number of new stores



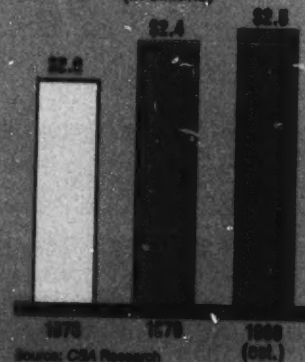
Number of remodels



Number of recycles



Store capital expenditures
(in billions)



Source: CSA Research

Retrenchment aids smaller chains

The total food store count dropped from 207,250 units in 1978 to 202,700 units last year, continuing the industry trend of shuttering close to 5,000 stores a year.

At the same time, the number of chain food store owners rose from 4,294 (operating a total of 58,850 units) in 1978 to 4,409 (operating a total of 61,365 units).

The increase in number of multi-unit store owners is a result of the backwash of A&P's retrenchment and Food Fair's retreat from the Philadelphia and Northeast marketplace in particular.

Co-op and voluntary multiunit and single-unit owners picked up hundreds of former A&P and Food Fair stores and added them to their

mini-chain fleets. This expansion by independent chain operators shows up especially in unit increases posted by operators of four to 10 store chains and 11-25 store chains.

More than two-thirds of the 115 new chain store operators added to this year's roster became eligible for chain ranking only because they picked up the castoffs. □

Number of multistore operators grows

Calendar year	2-3-store chains	4-10-store chains	11-25-store chains	26+ -store chains	Companies operating no. of chain stores (no. of supermarkets)	No. of food stores	Total food store sales (\$000 omitted)	Supermarket store sales (\$000 omitted)	Chain store share of food store sales
1970	6,097	4,519	3,824	30,961	4,241 operating 46,001 (29,184)	279,200	\$ 86,114,000	\$ 58,511,139	68.1%
1971	6,609	4,703	3,783	32,085	4,234 operating 47,180 (29,184)	268,000	\$ 89,239,000	\$ 61,423,665	69.0%
1972	6,806	4,974	3,851	32,918	4,344 operating 48,549 (30,058)	246,800	\$ 95,020,000	\$ 66,501,576	70.1%
1973	6,993	4,970	4,078	34,870	4,501 operating 50,911 (30,062)	240,000	\$105,731,000	\$ 75,528,860	71.4%
1974	7,228	5,077	4,246	35,880	4,650 operating 52,431 (30,072)	236,000	\$119,698,000	\$ 86,315,872	72.1%
1975	7,027	5,009	4,628	38,367	4,563 operating 55,031 (29,457)	227,500	\$131,426,000	\$ 95,678,128	72.8%
1976	6,989	5,495	4,776	37,882	4,645 operating 56,142 (28,745)	218,500	\$140,984,000	\$105,822,775	75.0%
1977	6,538	6,140	4,426	41,175	4,478 operating 58,280 (28,269)	213,750	\$152,469,000	\$125,043,000	82.1%
1978	6,230	5,690	4,728	42,202	4,294 operating 58,850 (27,670)	207,250	\$170,500,000	\$140,700,000	82.5%
1979	6,205	6,032	5,035	43,993	4,409 operating 61,365 (27,488)	202,700	\$186,893,000	\$156,900,000	83.8%

Source: Chain Store Guides, CSA Research

Fewer co-ops, voluntaries share in larger independent market

The number of co-ops and voluntary wholesalers serving nonchain supermarkets fell again last year, to a total of 455, down from 468 the prior year and 492 in 1977. Mean-

while the market served by this group of wholesalers is growing at an impressive rate.

The explanation for this paradox is that co-op and voluntary whole-

sale organizations are becoming more efficient and cost-effective. Those that don't measure up are absorbed or fall by the wayside. The survivors offer their customers an even wider range of services.

For the first time all of the co-ops and voluntaries on the *Chain Store Age Supermarkets'* top 50 list scored gross sales of at least \$200 million. Six had sales of more than \$1 billion while the largest, Super Valu of Hopkins, Minn., chalked up record sales of almost \$3.5 billion.

Inflation helps to explain some of this increase but it is also clear that independent supermarkets served by the co-ops and voluntaries are gaining market share. This is reflected in the record number of independents with individual store sales in excess of \$10 million a year. Never before have independents been so prominently represented in the ranks of the highest-volume supermarkets.

The largest and most efficient co-ops and voluntaries now offer services that match those offered by the biggest chains. Companies like Super Valu, Fleming and Wakefern, among others, provide participating supers with the standard lines of food and nonfoods products plus an array of specialized services. These additional services may include centralized equipment buying, advice on site selection for new stores, ways to improve customer relations, tips on more effective newspaper advertising, how to install a scanner system—in short, all of the services available to a chain super.

Without this edge the supermarket industry would be dominated by the chains. As things stand now, the retail segment of the business is about evenly divided between the chains and independents.

Inflation is likely to accelerate the growth of the larger voluntaries and co-ops. As the wholesale business becomes more complicated there is a greater need for sophisticated computers and automated warehouses to control and ship goods. In this environment it is the larger, more efficient co-ops and voluntaries that will show the most growth in the 1980's. □

Largest wholesalers gain more ground

Leading Wholesalers	Type	Total stores served	Supers	Estimated volume (000,000 omitted)
Super Valu Stores	Vol.	2,018	1,923	\$3,470
Fleming Companies	Vol.	1,582	918	2,508
Wakefern Food	Co-op	192	192	2,300
Milone & Hyde	Vol.	2,516	1,138	1,816
Certified Grocers of Calif.	Co-op	4,000	700	1,300
Watersau Inc.	Vol.	703	544	1,239
S. M. Flokinger	Vol.	296	183	920
Meek-Finch	Vol.	368	129	882
Scot Lad Foods	Vol.	625	185	822
Associated Wholesale Grocers	Co-op	900	500	880
Super Food Services	Vol.	620	378	861
United Grocers Ltd.	Co-op	2,145	613	776
Spartan Stores Inc.	Co-op	445	294	702
Certified Grocers—Illinois	Co-op	545	350	640
West Coast Grocers	Vol.	95	95	580
American Strevel	Vol.	198	100	550
Richfood Inc.	Co-op	718	150	526
Twin County Grocers	Co-op	192	178	510
Alfred M. Lewis	Vol.	2,500	514	503
Associated Grocers—Wash.	Co-op	390	320	494
Schryver Inc.	Vol.	610	170	484
Fox Grocery Co.	Vol.	214	153	475
Niagara Frontier Services Inc.	Vol.	42	19	464
Farm House Foods	Vol.	238	102	462
Springfield Sugar & Products Co.	Vol.	250	181	450
White Rose Food Corp.	Vol.	120	104	450
Associated Food Stores—Utah	Co-op	686	277	440
Grocers Supply Co.	Co-op	500	200	435
United Grocers Inc.—Oregon	Co-op	335	235	424
Hannaford Bros.	Vol.	110	110	424
Associated Grocers—Ariz.	Co-op	1,250	300	400
Affiliated Foods Stores—Texas	Co-op	550	275	392
Associated Grocers—Colo.	Co-op	400	400	375
Key Food Stores Inc.	Co-op	155	150	370
Godfrey Co.	Vol.	86	86	368
Roundy's	Co-op	158	115	303
Frankford-Quaker	Co-op	800	80	302
Piggly Wiggly Carolinas	Vol.	107	107	300
U.R.M. Stores	Co-op	250	150	262
Peter J. Schmitt (Loblaws)	Vol.	47	47	257
The McLain Grocery Co.	Vol.	150	150	254
Gateway Foods	Vol.	275	175	250
Krausdale Foods Inc.	Vol.	90	90	250
American Seaway Foods Inc.	Vol.	200	200	244
General Grocer Co.	Vol.	300	85	225
Certified Grocers—Florida	Co-op	1,600	79	220
The Cressy Co.	Vol.	59	59	220
Roundup Co.	Vol.	68	25	211
Associated Grocers—St. Louis	Co-op	440	330	201
Piggly Wiggly Operators Warehouse	Co-op	200	190	200

Source: CSA Guides, CSA Research

Convenience store growth slows

The number of convenience stores increased again last year, and the top-ranked chain, Southland Corp., operator of 7-Eleven, chalked up record sales of almost \$2.8 billion. That would make Southland the ninth largest operation in the country if it was measured as a supermarket operator on the *Chain Store Age Supermarkets* ranking of the nation's top 100 food chains.

Yet c-stores aren't growing as fast as before and appear to have reached maturity in some retail food lines. More and more c-stores are turning out to be gas stations which offer a limited assortment of high-priced foods and nonfoods.

More than half of all c-stores now pump gas and 80% of new stores now include gas pumping operations, according to the latest available figures. The trend is obvious.

This is underscored by the move-

ment of Sun and Atlantic Richfield (ARCO), two major oil and gas companies, into the c-store arena. ARCO is adding convenience store-type food and nonfoods items to existing gas pumping operations under the AM/PM Minimarkets banner and hopes to have 500 of these units in operation this year. Sun, meanwhile, has added the Mr. Zip

More units operate as gas stations with limited lines of food and nonfoods

company to its Stop N Go and Fast Fare c-store operations.

There were an estimated 34,000 c-stores in operation at the beginning of the year, 1,500 more than the

previous year. In the four prior years the industry had been adding stores at an average rate of 2,500 new units a year. While individual c-store companies may show dramatic increases in the number of new stores added in the future, it is apparent that the industry as a whole has passed its period of highest growth.

As the recession bites deeper into disposable income, c-stores can expect to face more difficulties. A report released early this year found consumers becoming more reluctant to pay the premiums charged by c-stores to offset the cost of nighttime operations. Instead, the cash-strapped shopper is planning ahead and trying to shop more often in supermarkets or maverick-format food stores where prices are clearly lower.

Still, c-stores are well-positioned for growth in a number of categories. Many do a much better job than the typical supermarket in the merchandising of cigarettes and other tobacco items, candy and gum and publications. Prices may be higher than supermarkets for some of these items, but c-stores offer the consumer more variety.

For some c-stores, women's magazines have started to match the high turnover rates achieved by some of the more popular men's magazines.

C-stores are also doing an impressive job with fast foods and delicatessen items: Hot sandwiches, cold sandwiches, salads and cheeses in single-portion packages, soups and other items are being sold faster than ever. □



Economy brakes sales

Rank	Company	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	Estimated convenience store sales ('79)
1	Southland Corp.	4,010	4,080	4,803	4,850	6,016	5,892	6,898	7,016	6,599	7,670	\$2,795,836
2	Cumberland Farms	850	864	850	868	980	988	1,200	1,159	1,130	1,098	398,000
3	Circle K Corp.	493	652	782	840	947	1,020	1,065	1,100	1,105	1,158	330,159
4	Lawsen Milk	634	702	735	792	755	735	750	751	780	733	250,000
5	Ulotell	514	575	607	742	882	934	1,012	1,016	928	934	247,825
6	National Convenience	475	525	575	654	850	965	743	722	725	806	246,680
7	Munford Inc.	938	951	1,005	1,250	1,331	1,371	1,400	1,400	1,211	1,320	223,174
8	Convenient Food Mart (CIAM)	152	137	141	167	174	218	252	269	285	316	156,529
9	Wawa Food Marts	79	101	125	124	130	154	164	196	220	236	137,000
10	L'H General Stores	500	512	507	547	543	563	558	549	515	480	136,000

Source: Company Annual Reports, CBA Research

Meat substitutes pick up the slack

Product Category	% of 1979 Average Gross Margins	% of 1979 Total Supermarket Sales	% of 1979 Gross Profit %	1979 Supermarket Sales (\$ Millions)	1978 Supermarket Sales (\$ Millions)	% Diff.
Canned Vegetables	21.2	1.59	1.45	\$ 2,489.34	\$ 2,291.92	10.06
Canned Fruit	20.2	0.72	0.61	1,120.13	992.22	12.89
Canned Juices	19.1	1.12	0.91	1,762.61	1,555.29	12.69
Canned Meat/Specialties	22.1	0.69	0.66	1,066.81	983.79	13.85
Canned & Dry Soup	19.6	1.03	0.85	1,623.62	1,562.80	4.56
Canned Fish	18.6	1.08	0.79	1,899.61	1,494.73	18.04
Canned & Dry Milk	13.5	0.34	0.14	370.42	328.44	12.78
Breakfast Foods	19.3	1.51	1.25	2,365.60	2,141.76	10.45
Pasta Products	22.2	0.52	0.50	811.51	667.89	21.50
Dried Vegetables	24.7	0.33	0.34	524.47	487.89	7.50
Dried Fruit	25.7	0.19	0.21	303.88	263.58	15.29
Frozen Foods	28.3	6.48	7.92	10,174.07	9,297.83	9.78
Dairy Products	23.0	11.69	11.58	18,346.46	16,920.10	15.24
Soft Drinks & Mixes	23.4	2.91	2.93	4,570.59	4,102.74	11.40
Coffee	10.4	2.46	1.09	3,861.68	3,372.72	14.50
Beer	26.5	2.74	3.12	4,295.84	3,974.40	8.09
Wine	39.6	0.24	0.41	375.99	372.60	0.91
Tea	21.9	0.38	0.36	595.31	471.96	26.14
Bakery Foods	20.2	3.84	3.18	5,712.12	5,295.40	8.07
Cookies/Crackers	25.9	2.13	2.97	3,346.43	2,975.02	12.45
Snacks	27.2	1.31	1.54	2,063.44	1,835.71	11.86
Sugar	9.7	0.40	0.17	621.84	624.40	18.00
Promixes & Baking Needs	22.5	0.96	0.94	1,604.76	1,293.06	16.37
Oils & Shortenings	17.0	0.69	0.43	918.03	796.26	15.29
Spices	33.2	0.41	0.57	649.57	576.50	12.73
Flour	16.3	0.31	0.21	491.91	473.34	3.92
Pickles/Olives/Relishes	27.6	0.43	0.52	673.78	621.00	8.50
Dressings	18.7	0.72	0.59	1,130.80	1,002.42	12.81
Sauces	22.3	0.82	0.78	1,286.99	1,129.40	13.95
Desserts & Toppings	22.9	0.29	0.30	457.55	430.56	6.27
Spreads	21.2	0.48	0.45	748.96	661.02	13.29
Syrups	21.9	0.20	0.19	317.89	295.32	7.64
Pet Products	22.8	2.05	2.02	3,216.50	3,026.38	6.36
Candy & Gum	31.7	1.19	1.63	1,867.12	1,700.16	9.82
Baby Foods	13.4	0.45	0.34	703.92	632.06	11.37
Nuts	27.4	0.39	0.47	615.69	576.52	7.82
Diet/Low-cal/Health Foods	25.2	0.34	0.36	634.33	461.04	15.87
Tobacco Products	10.6	4.50	2.04	7,061.62	6,402.33	10.30
Health & Beauty Aids	27.7	4.96	5.93	7,810.29	6,234.67	25.27
Paper/Film/Foil	20.5	2.68	2.37	4,209.39	3,614.22	16.47
Soaps & Detergents	17.4	1.83	1.35	2,869.24	2,493.42	14.93
Housewares	36.6	2.20	3.43	3,454.93	2,850.42	21.21
Laundry & Ironing Aids	20.3	0.53	0.43	830.47	738.28	12.49
Cleaners	25.3	0.64	0.71	1,007.34	880.82	14.36
Books & Magazines	30.4	0.66	0.66	1,033.96	895.90	15.41
Stationery/School Supplies	47.2	0.28	0.53	433.22	351.35	23.30
Soft Goods	40.6	0.55	0.95	860.86	747.22	15.21
Waxes & Polishes	30.1	0.15	0.17	233.69	213.90	9.25
Cleaning Implements	36.3	0.21	0.35	333.70	253.92	31.42
Misc. Household Supplies	32.7	0.21	0.30	335.60	275.46	21.83
Produce	31.5	8.08	10.88	12,683.54	11,819.80	8.18
Meats	20.5	19.19	16.93	30,126.67	27,812.42	8.11
Unclassified	41.5	0.21	0.55	495.95	1,071.00	-54.62
Total	23.2	100.00	100.00	\$156,990.00	\$140,700.00	11.58

It should come as no surprise that pasta (up 21.5%), canned fish (up 18.0%), dairy products (up 15.2%) and dried fruits (up 15.3%) would outpace the 11.5% overall sales gain posted by the supermarket industry in 1979.

Each of these categories benefited from outlandish red meat prices most of the year. Meat sales fell back as a category and at year-end showed an industry-trailing sales gain of only 9%—with virtually all of the gain in price.

Surprisingly, produce dropped back almost as much as meat. In terms of total department contribution to store sales, produce departments contributed 6.1% of the total volume vs. 6.24% a year earlier. Produce sales volume overall, however, moved ahead 9.2%. But because availability was heavier than in 1978, retail prices were lower, and profit contributions to total store sales dropped almost a percentage point.

On the general merchandise side of the store, health and beauty aids, stationery, cleaning implements and household supplies made the strongest gains.

Incidence of purchase: scan data tells how often shoppers buy

A. Incidence of Purchase (per 1,000 POS transactions)		
Instant coffee	Unit sales	Dollar sales
1979	37	\$111.94
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number		

B. Incidence of Purchase (per 1,000 POS transactions)		
Ground coffee	Unit sales	Dollar sales
1979	47	\$181.42
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number		

Over 1,500 supermarkets equipped with scanners are building a mountain of data that one day soon will place the control of product flow almost completely in the hands of store operators.

The rate at which products move off store shelves and into consumers' kitchens ranks high on the list of priorities for buyers and merchandisers.

A new barometer has been developed by TRIM Inc. of Los Angeles, Calif., to guide merchandisers in plotting space allocation and stock replenishment. *Chain Store Age Supermarkets* terms this barometer—purchase incidence per customer transaction—as PICT.

In basic terms, PICT identifies the number of units sold per 1,000 cash register ring-ups—regardless of time frame.

To see how PICT works, let's take instant coffee as an example.

Chart A shows that in 1979 there were 37 unit sales for every 1,000 transactions rung up. These 37 units contributed \$111.94 of the total dollars rung up for the 1,000 transactions.

If a given supermarket produces weekly sales volume of \$120,000 and the average transaction is \$12, that means 370 units of instant coffee moved off this store's shelves.

While this particular example does not break out size or brand, when compared to the PICT of other products sold in the coffee/tea category it does provide a store operator the opportunity to determine customer preference in relationship to competing items.

Chart B, ground coffee, shows a PICT of 47 units per 1,000 transactions and dollar sales of \$181.42.

Using the same sales volume of

\$120,000 and the same average transaction value of \$12, some 470 ground coffee units were moved in a one-week period.

Ground coffee units moved at a rate 27% faster than did instant coffee. While the container sizes of ground coffee and instant coffee obviously were not the same, ground coffee, in this example, produced 62% more in sales volume.

Armed with the PICT data store operators and buyers can more readily determine what items their customers are currently buying as well as plot weekly shifts.

Beginning with the September issue, *Chain Store Age Supermarkets* will publish a quarterly PICT update on 35 of the grocery and H&BA items most commonly found on customers' shopping lists. □

Terms used in this section

Supermarket: Complete full-line self-service food market operating in a sales area of at least 6,000 sq. ft. and producing annual sales volume of at least \$1 million.

Superstore: Complete full-line food market operating in a sales area of at least 25,000 sq. ft. and currently producing an annual sales volume of \$5 million. A superstore will include both service and self-service departments.

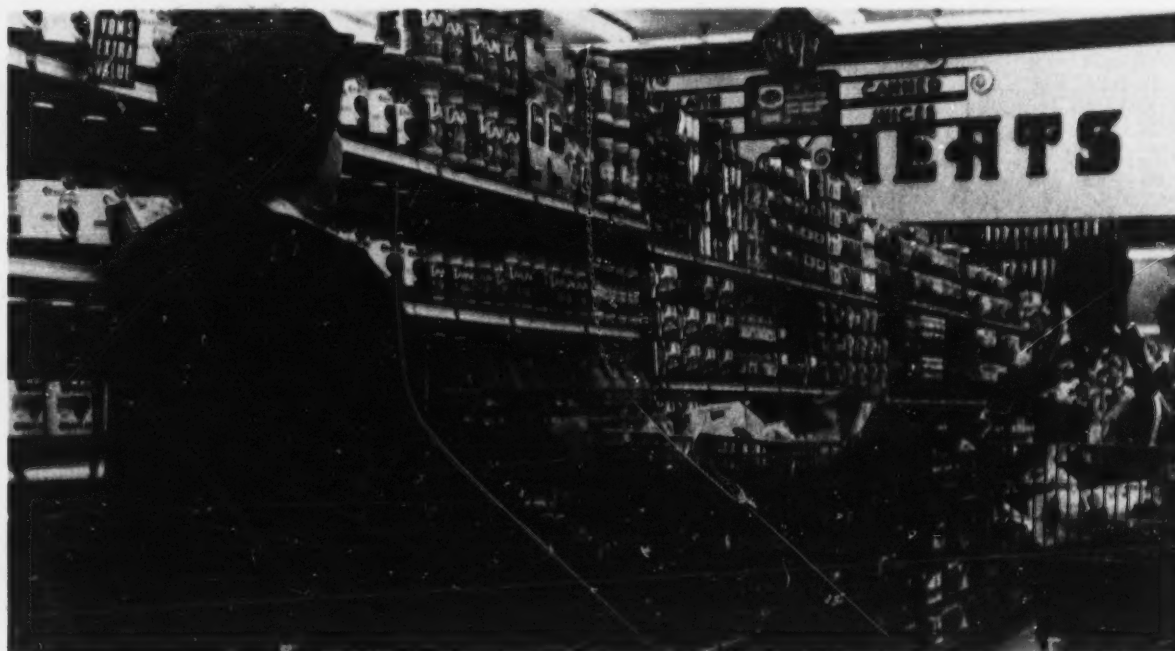
Chain supermarket: A multi-unit operation (two or more links in the U.S. Census Bureau guideline for multi-unit retailers) whose stores are controlled, coordinated or directly influenced by a central headquarters executive staff via single company ownership.

Co-op group: A cooperatively owned group in which both multi-unit and single-unit owners band together for the purpose of economic buying and to achieve strength of chain patterns of distribution (such as Certified Grocers of California).

Voluntary group: A wholesaler-headquartered food operation with which single- and multi-unit retailers affiliate, usually under a common "house" name, such as Super Valu, IGA etc.

Convenience store: A food retailer of limited lines of items in a freestanding sales area of 2,500 sq. ft. or less, concentrating on selected fast-moving products.

CANNED JUICE



'Chilled' dilutes canned juice sales

Canned juice manufacturers found 1979's road to growth strewn with stumbling blocks and, while most came through unscathed, a few suffered some nasty bruises.

The mid-1970's boom in powdered breakfast drinks came to a screeching halt last year. Sales of nectar juices fell back to '77's level. The topsy-turvy movement of ades and bases was on the down side. And tomato juice, true to recent form, proved a dull performer.

The result? Overall retail volume barely kept pace with inflation as unit movement, the industry's barometer of real growth, slipped several percentage points.

Yet by all accounts it shouldn't have ended up that way. In the preceding year, burgeoning consumer demand for natural fruit juices lifted department sales 22%. Considered a perennial growth category, canned juice volume was expected to advance in '79 at a near-equal clip.

But a hitch developed. Unrelenting pressure from chilled juice marketers finally hit the canned cate-

gory broadside as dairy case juice evolved into the supermarket's hottest items. Entering 1980, chilled juice is a \$900 million business, up a whopping 34%.

That may be an understatement, according to retailers polled by *Chain Store Age*. In fact, many consider as inevitable a tug-of-war between the two categories.

Despite the assault, several lines registered impressive gains. Sizzling sales of cranberry juice and steady movement of apple, grape and orange juices relieved the

downward pressure of nectar and other fruit juices.

Ocean Spray credits softer powdered sales and growing consumer demand for pure juices for its across-the-board real growth. "Cranapple, our No. 2 product, has had two-digit tonnage increases over the past three years," says a company spokesman. Strong incremental sales were contributed by CranGrape, introduced by Ocean Spray last year.

A significant increase in Welch's advertising budget for its grape

Incidence of Purchase (per 1,000 POS transactions)		
Fruit-flavored drinks	Unit sales	Dollar sales
1979	32	\$22.53
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	N/C	+5
Sources: TRIM Inc.		

CANNED JUICE

juice paid off handsomely last year, boosting case sales 12%-14%. "We're pumping even more money into our promotional campaign this year," says Jay Manthia, product manager.

One of Welch's—and the category's—hottest items is its white grape juice, a product brought back to life via Madison Avenue. Since its rebirth in September '78, sales have climbed 60%.

Pineapple juice: Canned pineapple fruit may have been in the doldrums in '79, but the liquid form continues to be gulped down at a record rate. "Pineapple juice practically sold itself," says a spokesman for Dole, the leader in the category.

Actually, it was a super year in terms of profits to canners. A meager carry-in of single-strength 24/2's made for a tight market as demand outstripped supplies. Blended pineapple juices went

along for the ride, enjoying an outstanding year.

Quite the opposite for the ready-to-drink line, which has declined at a rate of 3% a year over the past five years. "Shifting demographics and a steady proliferation of products have taken the momentum out of ready-to-drink items," says a

Stiff competition spurs tug-of-war; volume barely keeps pace with inflation

spokesman for RJR Foods (makers of Hawaiian Punch).

Here again, though, the magic of advertising is fueling a comeback for the ready-to-drink category. An extensive TV campaign featuring teen idols Donnie and Marie Os-

mond is credited with stabilizing sales in late '79 and forging modest growth through early '80.

"More consumers may be buying the high-concentrate fruit juices for nutritional value," says the RJR spokesman, "but the ten-percenters are still perceived as a better value—and better for you—than carbonated beverages."

Apple juice: A product that exploded on the market three years ago when citrus prices went haywire, apple juice growth continues unabated. "It tastes good, it's relatively low-priced and it's natural," says a Midwest retailer in explaining the item's phenomenal success.

Larger 1979-80 crops spurred an 8% apple juice pack increase, making supplies plentiful and keeping prices firm. Shipments through April were up almost 25%. "In terms of real growth, apple juice is the premier category," says Don Seipke, vice president-sales and

Canned Juice: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Powdered Breakfast Drinks	2.85	\$ 50.13	\$ 52.44	- 4.40	3.29	\$ 11.03	5	22.0
Fruit-Flavored Drinks	22.97	402.63	331.20	21.57	21.46	71.90	49	17.9
Orange	4.29	75.20	49.68	51.37	4.13	13.84	9	18.4
Grape	2.95	51.70	49.68	4.07	2.67	8.94	7	17.3
All Other Single Flavors	2.68	47.00	35.88	30.99	2.51	8.41	9	17.9
Pineapple-Grapefruit	1.34	23.50	17.94	30.99	1.28	4.28	2	18.2
Punches	6.61	115.93	103.50	12.01	6.02	20.17	14	17.4
All Other Combination Flavors	5.10	89.30	74.52	19.83	4.85	16.25	8	18.2
Ades & Bases	2.06	36.03	37.26	- 3.29	2.34	7.82	5	21.7
Fruit Juices	57.45	1,006.96	906.66	11.06	58.40	195.47	83	19.4
Apple Juice & Cider	19.83	347.79	306.36	13.52	20.90	69.91	23	20.1
Cranberry Juice	8.76	153.53	117.30	30.89	8.80	29.48	9	19.2
Grape Juice	4.27	74.82	64.86	15.36	4.56	15.26	7	20.4
Grapefruit Juice	8.22	144.13	139.38	3.41	7.49	25.08	10	17.4
Lemon Juice & Lime Juice	1.97	34.47	31.74	8.60	2.43	8.14	7	23.6
Orange Juice	2.77	48.56	41.40	17.29	2.86	9.57	4	19.7
Pineapple Juice	3.22	56.40	49.68	13.53	2.88	9.64	4	17.1
Prune Juice	4.92	86.16	74.52	15.62	4.45	14.91	8	17.3
Nectars	1.79	31.33	35.88	-12.67	2.20	7.36	7	23.5
All Other Fruit Juices	1.70	29.77	45.54	-34.62	1.83	6.13	4	20.6
Vegetable Juices	14.03	245.89	219.42	12.06	13.72	45.94	21	18.7
Tomato Juice	5.74	100.58	99.36	1.23	5.35	17.90	11	17.8
Tomato Cocktail	0.88	15.43	15.18	1.65	1.07	3.58	3	23.2
Vegetable Cocktail	7.05	123.61	99.36	24.41	6.90	23.12	5	18.7
All Other Vegetable Juices	0.36	6.27	5.52	13.59	0.40	1.34	2	21.4
All Other Canned Juices	0.63	10.97	8.28	32.49	0.79	2.66	2	24.2
Total	100.00	\$1,752.61	\$1,555.26	12.69	100.00	\$334.81	165	19.1
% of total store volume . . . 1.12%								

CANNED JUICE



marketing for Wilderness apple juice.

A strong point for Wilderness, as well as a growing number of other juice canners, is the strong appeal of glass containers and "family" sizes. "The message from retailers has been loud and clear," says Seipke. "Consumers are definitely more attracted to the glass items, particularly the half-gallons."

Tomato juice: Even before embarking on last year's problem-paved road, the endurance of tomato juice had been severely tested. Despite a large carryover and a bountiful fresh pack, sales of the red juice were virtually flat for the third straight year. One reason cited by canners for the lackluster performance is the surge by blended vegetable juices, which last year nudged out tomato juice as the red juice category leader.

Citrus juices: In sharp contrast to the higher 1978-79 grapefruit juice pack, which led to a softening of prices and brisk sales gains, last year's 15% smaller pack forced prices up and, consequently, dampened volume movement. To stimulate sales, canners have recently reduced prices, but observers say the siege by chilled products is the real culprit, not supplies.

Conversely, consumer purchases of canned orange juice continue to increase steadily, keeping prices anchored and supplies balanced. The only snag looming is the effect of a substantially larger Florida pack. □

Unit Movement

The following chart shows each canned juice category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Powdered Breakfast Drinks	27	1.63
Fruit Flavored Drinks	484	27.99
Orange	82	4.95
Grape	78	4.70
All Other Single Flavors	54	3.26
Pineapple-Grapefruit	27	1.63
Punches	122	7.36
All Other Combination Flavors	101	6.09
Aides and Bases	34	2.05
Fruit Juices	816	49.21
Apple Juice and Cider	243	14.65
Cranberry Juice	93	5.61
Grape Juice	54	3.26
Grapefruit Juice	153	9.23
Lemon Juice & Lime Juice	38	2.29
Orange Juice	42	2.53
Pineapple Juice	48	2.90
Prune Juice	71	4.28
Nectars	47	2.83
All Other Fruit Juices	27	1.63
Vegetable Juices	306	18.58
Tomato Juice	136	8.20
Tomato Cocktail	17	1.03
Vegetable Cocktail	149	8.99
All Other Vegetable Juices	6	0.36
All Other Canned Juices	9	0.54
Total	1,658	100.00



Commodity balance may spell relief

Working in the canned meat business is a little like being between a rock and a hard place most of the time. That's because the major commodities involved in processing, beef and pork, have production cycles that run exactly opposite to each other, forcing the processors to play hide and seek with suppliers.

For much of last year beef prices kept increasing, while pork prices dipped in the face of plentiful supplies.

But heading into the third quarter of 1980, the manufacturers were optimistic that supply and prices would moderate in both categories. Through the first quarter, the Department of Agriculture indicates that supplies of beef increased for the first time in two years. Prices of beef for canners actually dropped in March compared to the same month in 1979.

Projections for the second and third quarters were not quite that optimistic, but prices should be

more palatable than they were at the same time last year.

Pork supplies have been unusually high, and both manufacturers and consumers are taking advantage of the resulting price drop. Supply will start to taper off by the third quarter, but not before processors get adequate product for the year.

"We're coming through much better now than in the 1973-74 period," says a spokesman for Armour, the Phoenix-based division of Greyhound Corp. "During that time we had an awful lot of Government intervention with price freezing, and it was killing the canned meat industry."

Strict structure: Probably no item is more sensitive to price than canned meat. The manufacturers perceive a strict structure into which their products fit, and they are not quick to change. In fact, one company held out for two years before succumbing to inflation's grasp, preferring to eat some profits in order to keep as many consumers as possible eating the product.

For products such as hash, meat spreads, and Vienna sausage, the strategy is apparently working. "You can't keep enough of the stuff in the store," says a manager for an Eastern co-op. "It just flies out of here."

Says one manufacturer, "We're convinced that we should be able to grow through this period despite the outside economic environment."

The single-serve portion part of the business has been a growth area of late. Last year for instance, 17% of the canned hash volume was in single-serve, and marketers expect that figure to climb with the number of one- and two-person households. Armour is currently test-marketing single-service.

Ethnics hot: Ethnic foods continue to keep pace, as consumers hunt for easy roads to less expensive but interesting meals. The ethnics had a combined growth of 25% last year, with Italian varieties leading the way at almost 43%.

"We had one of our best years ever last year," says a spokesman

CANNED MEAT & SPECIALTY FOODS

for Buitoni Foods, a Long Island-based distributor, "because consumers are looking for variety and quality as well as price."

The Spanish/Mexican market is still as hot as its product, particularly chili, which spiced up sales by almost one-third last year.

Oriental foods continue to set the pace in the ethnic categories with regard to long-term growth. Since 1976 the category has grown an astronomical 63%, on the heels of greatly expanded product lines and the marketing savvy of such giants as RJR Foods and Beatrice Foods.

Amid the overall growth is the shift away from the more pedestrian Oriental offerings such as chow mein and toward more exotic dishes. Dinners, for instance, advanced spectacularly in 1978, while both Chinese vegetables and noodles advanced more modestly. □

Canned Meat/Specialty Foods: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Italian Dishes	22.41	\$ 243.23	\$170.11	42.98	22.01	\$ 52.86	29	21.7
Spaghetti w/Meat	3.91	42.43	35.88	18.26	3.87	9.29	6	21.9
Spaghetti—All Other	3.90	42.30	29.35	44.12	3.38	8.12	4	19.2
Macaroni w/Meat	3.01	32.67	15.18	115.22	2.90	6.96	2	21.3
Macaroni—All Other	1.01	10.97	9.66	13.56	1.01	2.44	2	22.2
Noodles—All Types	1.21	13.13	2.76	*375.72	1.44	3.47	1	26.4
All Other Italian Dishes	9.37	101.73	77.28	31.64	9.41	22.58	14	22.2
Spanish/Mexican Dishes	20.47	222.32	186.30	19.33	21.77	52.21	33	23.5
Chili—All Types	13.83	150.26	113.16	32.79	13.67	32.76	14	21.8
All Other Spanish/ Mexican Dishes	6.64	72.06	73.14	— 1.47	8.10	19.46	19	27.0
Oriental Dishes	13.73	149.27	131.67	13.37	15.79	37.89	27	25.4
Oriental Dinners	3.46	37.60	24.84	51.37	3.92	9.40	5	25.0
Chow Mein	3.17	34.47	33.12	4.06	3.52	8.44	5	24.5
Chop Suey	0.76	8.27	7.47	10.71	0.91	2.18	2	26.4
Chinese Vegetables	2.45	26.63	23.46	13.51	2.82	6.76	6	25.4
Chinese Noodles	2.45	26.63	23.46	13.51	2.81	6.74	4	25.3
All Other Oriental Dishes	1.44	15.67	19.32	— 18.88	1.81	4.36	5	27.8
Prepared Meat Dishes	10.11	109.66	102.12	7.38	9.62	23.10	16	21.1
Chopped Meats w/Sauce	0.87	9.40	9.66	— 2.68	0.88	2.11	2	22.4
Sliced Meats w/Sauce	0.87	9.40	9.66	— 2.68	0.83	2.00	2	21.3
Hash	4.33	47.00	40.02	17.44	4.07	9.78	5	20.8
Stew	3.75	40.73	38.64	5.41	3.51	8.43	6	20.7
All Other Prepared Meat Dishes	0.29	3.13	4.14	— 24.39	0.33	0.78	1	25.0
Prepared Poultry Dishes	2.31	25.07	23.46	6.86	2.37	5.67	5	22.6
Poultry Dinners	1.30	14.10	12.42	13.53	1.32	3.16	3	22.4
All Other Prepared Poultry Dishes	1.01	10.97	11.04	— 0.62	1.05	2.51	2	22.9
Plain Meats	24.77	268.90	276.62	— 2.78	21.93	52.67	23	19.6
Chopped Meat	0.82	8.97	8.28	+ 7.00	0.90	2.16	2	24.1
Corried Beef	3.62	39.30	38.64	1.65	2.94	7.90	2	20.1
Dried Beef	1.64	17.80	17.94	— 0.78	1.50	4.04	2	22.7
Luncheon Meat & Tongue	7.27	78.90	78.66	0.38	4.20	11.36	3	14.4
Vienna Sausages	3.87	42.00	41.40	1.42	3.28	8.82	4	21.0
Meat Spreads	5.07	55.03	64.10	— 14.15	4.40	11.28	6	20.5
All Other Plain Meats	0.29	3.13	4.14	— 24.39	0.28	0.68	1	21.8
Ham	2.19	23.77	23.46	1.32	2.68	6.44	3	27.1
Plain Poultry	4.90	53.26	48.30	10.27	5.10	12.28	8	23.0
Boned	2.31	25.07	23.46	6.86	2.46	5.92	3	23.6
Whole	0.29	3.13	2.76	13.41	0.27	0.66	1	21.0
Spreads	1.15	12.53	12.42	0.89	1.23	2.96	2	23.6
All Other Poultry	1.15	12.53	9.66	29.71	1.14	2.74	2	21.9
All Other Canned Meat & Specialty	1.30	14.10	15.18	— 7.10	1.41	3.38	4	24.0
Total	100.00	\$1,085.81	\$953.76	13.85	100.00	\$240.05	145	22.1

% of total store volume . . . 0.69%

*Category redefined

Cereal makers zero in on adults

Bowing to the steady shrinkage of cereal's prime consuming segment, people under 25, manufacturers last year set their sights on a ripe adult market and unleashed a myriad of new high-fiber products.

Cereal makers succeeded in breaking out of a three-year rut of flat unit volume growth by posting a modest gain. But the big winners were retailers, who enjoyed the residual effects of lucrative trade allowances and stepped-up consumer advertising.

The flurry of promotional ac-

tivity, together with across-the-board price hikes, spurred solid dollar increases for most subcategories. But what has manufacturers sleeping peacefully are the far-reaching implications of a broadened consumer audience.

"When Kellogg broke with straight dollar deals vs. cents-off, we knew it was going to be an exciting year," reflects the grocery buyer for a major Northeast chain. "They got a taste of what promotions can do for sales and dove in head first."

What Kellogg and its competitors took aim at was the older health-

conscious shopper, and the inducements were products rich in bran and fiber and devoid of sugar. They were right on target.

On the bandwagon: Kellogg, for instance, went national last February with Most, a high-fiber multivitamin and iron supplement cereal, and quickly garnered a 0.8% market share. Six months later the company followed with Honey & Nut Corn Flakes.

Kellogg can use the boost. While it continues to field four of the five top-selling products, its 40% market share has slipped a few notches in recent years. And it faces a stiff



Breakfast Foods: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)		
Cereal	78.48	\$1,856.44	\$1,668.42	11.27	75.55	\$344.97	168	18.6
Breakfast Additives	15.89	378.00	347.78	8.12	17.84	81.48	50	21.7
Toaster Pastries	2.78	65.80	55.20	19.20	3.17	14.45	18	22.0
Instant Breakfast [solid]	2.85	67.36	70.38	- 4.28	3.44	15.70	10	23.3
Total	100.00	\$2,365.60	\$2,141.76	10.45	100.00	\$456.60	246	19.3

% of total store sales . . . 1.51%

BREAKFAST FOODS

challenge from several rivals.

Breathing heavily down its back is General Mills, the only manufacturer to register a significant share increase last year. Credit goes in part to the enormous success of its Honey Nut Cheerios, which captured a hefty 1.6% share of the \$1.8-billion category since its rollout in '79. General Mills hopes to close the gap further with its newest entry, Crispy Wheat 'n Raisins.

Ralston Purina, determined to increase its single-digit market share, jumped into the high fiber bandwagon with HoneyBran Cereal. Introduced nationally last July in a 12-oz. box, its success has already spawned an 18-oz. line extension. This month, Ralston breaks with Wheat & Raisin Chex in both 18- and 23-oz. sizes in an extension of its firmly positioned Bran Chex.

Not to be left out, Quaker Oats went national with Quaker Corn Bran with the clear intention of widening its market base. Protracted labor problems, though, curbed productivity, putting a crimp on tonnage gains. But the company advanced on the strength of its mainstay, Cap'n Crunch.

Presweetened: The dramatic shift toward high-fiber breakfast

Incidence of Purchase (per 1,000 POS transactions)		
Ready-to-eat cereals	Unit sales	Dollar sales
1979	138	\$140.87
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	N/C	
Source: TRIM Inc.		

foods leads some observers to believe that it's more likely a solution to the Government's unrelenting antisugar campaign than a response to growing consumer demand.

Cereal makers staunchly refute that claim, contending there will always be a market for presweetened products. Quaker may have found an ideal alternative with its Halfsies, a cold cereal with roughly half the amount of sugar in a typical presweetened product.

"There are three types of parents in the marketplace," says Quaker's new products manager, "those who have no qualms about letting their

children eat presweetened; those who feel it's definitely bad for you; and those—somewhere in the middle—who want their kids to eat cereal they enjoy, but are a little wary of excess sugar. Halfsies is directed at the last group, and the test results so far show that it's a large audience." Quaker, still test-marketing Halfsies in three cities, is shooting for a national rollout by year's end.

There's an ironic footnote to the sugared cereal controversy: The financially anemic Federal Trade Commission is rapidly running out of time to carry out its scheme to

Breakfast Cereals: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Ready-to-Eat Cereals	88.11	\$1,635.54	\$1,479.36	10.56	87.47	\$301.74	138	18.4
Combo Packs	2.62	48.56	46.92	3.50	2.60	8.98	5	18.5
Sweetened	26.25	487.22	437.46	11.37	26.27	90.62	47	18.6
Hi-Protein	12.49	231.86	208.38	11.27	11.96	41.27	16	17.8
Corn Flakes	4.39	81.46	70.38	15.74	3.94	13.60	6	16.7
Wheat Flakes	3.21	59.53	56.58	5.21	3.14	10.83	5	18.2
Bran & Wheat Germ	15.95	296.09	262.20	12.93	15.71	54.18	23	18.3
Puffed Rice, Wheat, Oats	5.23	97.13	89.70	8.28	5.35	18.46	10	19.0
Cold Oats	4.73	87.73	84.18	4.22	4.40	15.18	5	17.3
Shredded	3.71	68.93	78.66	-12.36	3.86	13.30	4	19.3
All Other Ready-to-Eat Cereals	5.06	94.00	56.58	66.14	5.40	18.61	7	19.8
Natural Cereals	4.47	83.03	88.32	-5.98	4.84	16.69	10	20.1
Hot Cereals	11.89	220.90	189.06	16.84	12.53	43.23	30	19.6
Oats	7.17	133.16	113.16	17.67	7.06	24.37	14	18.3
Wheat [Incl. Farina]	2.36	43.67	41.40	5.97	2.72	9.39	7	21.4
Hominy Grits	1.10	20.37	16.56	23.01	1.28	4.40	3	21.6
All Other Hot Cereals	0.84	15.67	13.80	13.55	1.04	3.59	5	22.9
Kasha & Barley	0.42	7.83	4.14	89.13	0.43	1.49	1	19.0
Total	100.00	\$1,856.44	\$1,668.42	11.27	100.00	\$344.97	168	18.6
% of total store volume . . . 1.18%								

BREAKFAST FOODS

Unit Movement

The following chart shows each breakfast cereal category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Ready-to-Eat Cereals	1,380	85.93
Combo Packs	39	2.43
Sweetened	373	23.23
Hi Protein	187	11.64
Corn Flakes	94	5.85
Wheat Flakes	52	3.24
Bran & Wheat Germ	232	14.45
Puffed Rice, Wheat, Oats	115	7.16
Cold Oats	79	4.92
Shredded	68	4.23
All Other Ready to Eat Cereals	80	4.98
Natural Cereals	61	3.80
Hot Cereals	226	14.07
Oats	132	8.22
Wheat [Incl. Farina]	45	2.80
Hominy Grits	25	1.56
All Other Hot Cereals	19	1.18
Kasha & Barley	5	0.31
Total	1,606	100.00

place restrictions on cereal TV commercials aimed at children.

Hot cereals: In contrast, this remains a consistently dull category. Despite strong urgings by chain buyers that any significant growth in the hot cereal market can only come from new products and

stronger promotions, manufacturers stay placid in their efforts.

Fortunately for cereal makers, rising nutrition-consciousness and a growing base of senior citizens produces a steady consumer franchise for the cold-weather breakfast food.

Toaster pastries: A handful of new products and several line extensions kept sales of these products popping through '79, but the prognosis for '80 is not too favorable. In the current economic slowdown, notes a Kellogg spokeswoman, consumers perceive toaster pastries as convenience items that can be sacrificed.

Breakfast additives, despite healthy gains by dry milk and syrups, was a disappointing category due to the impotent performance of instant breakfasts.

A 'natural' alternative: While sales of natural-style cereals seem to have settled into a catatonic state after an overnight boom, a relatively new product sharing the breakfast food shelf has evolved into a major entity. Snack bars, composed primarily of rolled granola, have gone from a \$20 million business five years ago to a \$75 million gold mine today and represent the major portion of a flagging breakfast meal bar category.

Although the bars are designed for between meals rather than a breakfast replacement, a growing number of mothers prefer to start their kids' days off with a natural snack bar instead of cookies or cupcakes. "Actually, these Granola and Crunchola Bars have earned a separate section for themselves," says a buyer for a Midwest food chain. "But they move so fast out of the cereal aisle, I don't dare toy with fate." □

Breakfast Additives/Pastries: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Toaster Pastry	12.93	\$ 65.80	\$ 55.20	19.20	12.94	\$ 14.45	18	22.0
Regular [Unfrosted]	5.85	29.77	22.08	34.83	5.81	6.49	9	21.8
All Other Toaster Pastry	7.08	36.03	33.12	8.79	7.13	7.96	9	22.1
Breakfast Additives	73.84	\$76.00	\$47.76	6.12	73.00	\$1.48	50	21.7
Instant Breakfast								
[Liquid & Mixes]	10.77	54.83	62.10	-11.70	10.61	11.84	9	21.6
Milk Additive—Dry	12.61	64.23	46.92	36.89	10.47	11.69	6	18.2
Milk Additive—Syrup	6.77	34.47	28.98	18.94	6.45	7.20	3	20.9
Cocoa & Cocoa Mixes	38.77	197.40	183.54	7.55	40.51	45.21	28	22.9
Ovaltine & Postum	4.92	25.07	26.22	-4.38	4.96	5.54	4	22.1
Instant Breakfast [Solid]	13.23	67.36	70.38	-4.28	14.06	15.70	10	23.3
Total	100.00	\$509.16	\$473.34	7.57	100.00	\$111.63	78	21.9
% of total store sales . . . 0.33%								



Oversupply, competition sap profits

The nation's canners are licking their wounds in the aftermath of one of the worst beatings ever taken by the \$2.5 billion industry. Tremendous oversupplies of virtually all vegetables drained profits in '79, and despite a cut in acreage this summer, chances of a turnaround are considered slim.

Excess inventory is forcing canners to hold prices at a time when supermarkets are reducing shelf space and pruning product lines. Consumption, which historically rises as prices soften, remains relatively flat.

Moreover, the impact of private label and generic canned vegetables is heightening as retailers place more emphasis on price variety than brand variety. The impressive sales gains registered by private label during a period of flat growth for the category is perhaps the harshest sign of the brand marketers' plight.

Squeezed on all sides, many canners are streamlining operations in

an effort to improve a tenuous bottom line. Others are shifting the balance of business from the volatile canned vegetable industry to more reliable and consistently profitable categories.

"Anyone strictly in the business of canned vegetables is feeling the pinch," says Marcel Tas, group product manager at Libby. Another manufacturer was less subtle: "There haven't been any profits for

the past 18 months."

The 1979-80 supply was expected to be tighter than the previous season, and most canners had looked forward to a year of modest, if not superb, profitability. But leave it to the weather to spoil things. "It was simply a perfect growing season for all commodities," explains an agricultural economist for the U.S.D.A.

Packs of canned vegetables

Incidence of Purchase (per 1,000 POS transactions)		
Canned corn	Unit sales	Dollar sales
1979	55	\$17.93
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+15	+17

Source: TRIM Inc.

CANNED VEGETABLES

reached record levels, making stocks downright burdensome. Most notable were large packs of canned tomatoes, tomato products and peas. Supplies of three major products—beans, corn and peas—jumped 15% above year-earlier levels to 161.7 million cases (24/303's).

The result? Downward price pressure on canners, but no upward movement of the category.

All this, of course, left retailers holding the upper hand entering 1980. Stocks remain above normal, and canners, in an effort to stimulate sluggish movement, are step-

ping up promotional allowances to the trade and cents-off deals to consumers.

Too little, too late?: The outlook for canners is somewhat rosier, thanks to the Government's decision to curb plantings of most crops this summer by an average of 9%.

Canned Vegetables: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Baked Beans	11.07	\$ 275.72	\$ 235.98	16.84	10.51	\$ 55.42	21	20.1
With Pork	6.55	162.93	140.76	15.75	6.00	31.61	12	19.4
With Franks or Other Meat	0.25	6.27	5.52	13.59	0.27	1.45	1	23.1
Barbecued	0.31	7.83	6.90	13.48	0.28	1.50	1	19.1
Vegetarian	0.50	12.53	9.66	29.71	0.49	2.61	1	20.8
Plain	3.46	86.16	73.14	17.80	3.47	18.27	6	21.2
Beans	18.25	454.33	415.38	9.38	19.28	101.36	55	22.3
Green	10.06	250.66	224.94	11.43	10.13	53.14	24	21.2
Lima	1.20	29.77	24.84	19.85	1.34	7.06	6	23.7
Wax	0.82	20.37	20.70	- 1.58	0.88	4.64	5	22.8
Kidney	1.76	43.87	42.78	2.55	2.00	10.53	4	24.0
All Other Beans & Bean Combos	4.41	109.66	102.12	7.38	4.93	25.99	16	23.7
Peas	8.56	213.06	186.30	14.36	8.37	44.09	23	20.7
Regular Green	6.61	164.49	151.80	8.36	6.28	33.06	17	20.1
Blackeyed & Field	0.94	23.50	15.18	54.81	1.01	5.34	4	22.7
All Other Peas	1.01	25.07	19.32	29.76	1.08	5.69	2	22.7
Corn	11.01	274.15	245.64	11.61	9.93	52.34	24	19.1
Whole Kernel	7.74	192.69	172.50	11.70	6.80	35.84	15	18.6
Cream Style	2.77	68.93	60.72	13.52	2.63	13.86	8	20.1
All Other Corn	0.50	12.53	12.42	0.89	0.50	2.64	1	21.1
Tomatoes	11.58	288.25	255.30	12.91	11.40	80.08	25	20.8
Regular	6.04	150.39	132.48	13.52	6.02	31.73	13	21.1
Italian	2.08	51.70	30.36	70.29	1.67	8.79	4	17.0
All Other Tomatoes	3.46	86.16	92.46	- 6.80	3.71	19.56	8	22.7
Tomato Products	14.03	349.35	345.00	1.26	12.32	64.92	25	18.6
Sauce	7.55	187.99	186.30	0.91	6.60	34.78	14	18.5
Paste	4.59	114.36	107.64	6.24	3.93	20.70	8	18.1
Puree	1.89	47.00	51.06	- 7.94	1.79	9.45	3	20.1
Beets	2.71	67.36	63.48	6.11	3.02	15.90	15	23.6
Asparagus	2.89	72.06	71.76	0.42	3.04	16.00	9	22.2
Cabbage	0.38	9.40	8.28	13.53	0.45	2.38	2	25.3
Carrots	1.26	31.33	26.22	19.49	1.37	7.24	7	23.1
Mixed Vegetables	1.20	29.77	24.84	19.85	1.33	7.03	6	23.6
Mushrooms	6.55	162.93	157.32	3.57	7.45	39.27	16	24.1
Onions	0.57	14.10	12.42	13.53	0.63	3.33	2	23.6
Carrots & Peas	0.76	18.80	11.04	70.29	0.86	4.51	3	24.0
White Potatoes	1.13	28.20	26.22	7.55	1.25	6.80	4	23.4
Pumpkin	0.82	20.37	19.32	5.43	0.80	4.24	3	20.8
Sauerkraut	1.70	42.30	33.12	27.72	1.81	9.56	8	22.6
Spinach	1.38	34.47	31.74	8.60	1.46	7.69	6	22.3
Squash & Zucchini	0.25	6.27	6.90	- 9.12	0.27	1.42	2	22.6
Yams & Sweet Potatoes	1.95	48.56	45.54	6.63	2.23	11.75	8	24.2
All Other Canned Vegetables	1.95	48.56	40.02	21.34	2.22	11.70	15	24.1
Total	100.00	\$2,489.34	\$2,261.82	10.06	100.00	\$526.81	279	21.2
% of total store volume . . . 1.59%								

CANNED VEGETABLES

But whether that's enough to balance supplies through the year remains to be seen.

"This is a positive step, though it's probably not sufficient," says Dick Lynch, director of product management for Del Monte, one of the leading forces in the category and one of the few canners to strengthen its position during a severe down cycle.

Libby's Tas is more bullish on the near future, viewing acreage adjustments as the "silver lining" for canned vegetables. The product manager also points out that during recessionary periods the category fares better than most.

Indeed, the consumer will be the ultimate factor in measuring the kind of year canned vegetables will have. "And she's never been more unpredictable," says a buyer for a Midwestern chain.

In any event, *Chain Store Age* offers this capsule view of the 1980 vegetable situation:

Peas: Despite the overabundant pack of 36.5 million cases (24/303's) and heavy promotion by canners, shipments of peas through March 1 were up only 5% from the year-earlier level. The June carryover will be large, and canners have contracted for 12% less acreage. But even with reduced crops, predictions are the 1980-81 supply will far exceed consumption trends.

Sweet corn: While shipments through early '80 ran 7% ahead of the previous year's pace, purchases couldn't keep up with the record supply of 69.8 million cases. In an effort to relieve the current supply pressure, acreage intentions for '80 are down 7%. With average yields and a projected carryover of more than 11 million cases, canners see the 1980-81 supply 4%-5% smaller than the previous season.

Lima beans: After rebounding in '78 from the prior year's crunch, canners found themselves sitting on excess stock last year as shipments crawled to a 17% slower pace. Retail prices were almost identical with those of a year earlier, and some canners are marking prices down further in an attempt to alleviate huge stocks.

Snap beans: A negligible carryover last July was offset by a more than 40% boost in stocks of canned snap beans (green and wax). Eying a larger carryover this month, growers plan to curb acreage 8% over last year. Retail prices rose only slightly in '79 and through mid-80 but still outpaced consumer demand.

Asparagus: In sharp contrast to the other commodities, here's a case where tight supplies have a negative impact on everyone, from processor to wholesaler to retailer to consumer. The '79 pack of 2.8 million cases (24/303's) was 17% less than a year earlier and the smallest in recent history. Once again, processors were caught in the squeeze

between high production costs and consumer resistance to high retail prices. Wholesale prices remained firm in '79 at \$30 per case, but buyers were still reeling from the year-earlier's 25% price hike. Normal weather in the Southwest growing region, where it's been persistently cold for four years, can help balance 1980-81 stocks. □

Unit Movement

The following chart shows each canned vegetable category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Baked Beans	511	10.29
With Pork	333	6.71
With Franks or Other Meat	9	0.18
Barbecued	11	0.22
Vegetarian	26	0.52
Plain	132	2.66
Beans	953	19.24
Green	586	11.84
Lima	42	0.85
Wax	52	1.05
Kidney	74	1.49
All Other Beans & Bean Combos	199	4.01
Peas	458	9.24
Regular Green	365	7.36
Blackeyed & Field	54	1.09
All Other Peas	39	0.79
Corn	669	13.49
Whole Kernel	483	9.74
Cream Style	167	3.37
All Other Corn	19	0.38
Tomatoes	482	9.31
Regular	261	5.26
Italian	51	1.03
All Other Tomatoes	150	3.02
Tomato Products	893	18.00
Sauce	587	11.83
Paste	251	5.06
Puree	55	1.11
Beets	143	2.88
Asparagus	51	1.03
Cabbage	10	0.20
Carrots	75	1.51
Mixed Vegetables	75	1.51
Mushrooms	200	4.03
Onions	22	0.44
Carrots & Peas	39	0.79
White Potatoes	74	1.49
Pumpkin	31	0.63
Sauerkraut	81	1.63
Spinach	69	1.39
Squash & Zucchini	12	0.24
Yams & Sweet Potatoes	58	1.17
All Other Canned Vegetables	74	1.49
Total	4,960	100.00

Soft drink sales go flat

No-holds-barred competition has become standard operating procedure in the frenzied world of supermarket soft drink retailing. After more than two decades of steady—sometimes even spectacular—growth, bottlers of carbonated beverages now find themselves locked in mortal combat for market share in a suddenly mature category.

Shifts in the age composition of the buying public have certainly contributed to the growth slowdown. The postwar baby boom generation is now mostly in its 30's, and there's no comparably large youth market moving in as a replacement. Soft drinks, which have traditionally appealed most strongly to teenagers and young adults, are therefore not getting the influx of new customers the industry has come to expect.

Supermarket soft drink sales moved ahead 10.4% in 1979, reaching nearly \$4 billion, but the latest retail price spiral caused much of this apparent gain. The same 6-pack of 12-oz. cans that cost shoppers less than \$1.50 in many markets a year ago now sells for a stratospheric \$2.09 in cities like New York—and there's no indication that the trend will reverse during the balance of 1980.

The soft drink parent companies, which supply the syrup to the bottlers, view stepped-up promotion as the best way to put the category



back on the growth track. Accordingly, the six largest companies—Canada Dry, Coca-Cola, Dr. Pepper, PepsiCo, Royal Crown and 7-Up—spent nearly \$200 million to push carbonated beverages last year. Since several of these suppliers have recently launched major new ad themes, prospects are for even greater promotional spending this year and next.

Although deals and allowances

abound, the higher everyday price for soft drinks is having a measurable effect on consumers. Among the main results:

1. Brand loyalty is taking a beating, as bargain-hunting shoppers react favorably to whatever is on special.

2. Economy sizes are continuing to increase in popularity.

3. Attempts to market 8-packs of cans have failed, since the resulting retail price strikes many supermarkets as prohibitive.

Some analysts believe that the popularity of the 2-liter size, spurred by the introduction of lightweight plastic bottles, is a two-edged sword. At first, the heightened sales of jumbo bottles seemed to spur consumption, but some now feel that it is having the opposite effect. "People don't want to open the bottles if they're going to take just one sip," contends industry analyst John C. Maxwell. He attributes as much as 0.5% in lost growth to the popularity of the big bottles.

Incidence of Purchase (per 1,000 POS transactions)		
Carbonated soft drinks	Unit sales	Dollar sales
1979	550	\$315.72
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	-10	+1
Source: TRIM Inc.		

SOFT DRINKS & MIXES

Other factors limiting growth in 1979 included:

1. A generally cool summer in the Northeast, cutting the need for thirst quenchers.

2. A drop in average disposable income, which tends to depress purchases of high-ticket items like soft drinks.

3. The gasoline shortage of 1979, which curtailed the vacation plans of many Americans, in turn reducing the number of occasions for soft drink guzzling.

Despite this sluggish growth, some brands outpaced the rest of the field by a wide margin to score double-digit sales gains in 1979. Coca-Cola's Tab gained 14% in sales, vaulting it into fifth place among leading labels, trailing only Coke, Pepsi, 7-Up and Dr. Pepper. PepsiCo had achievements to crow about, too, since its refurbished Mountain Dew and the reformulated Diet Pepsi achieved gains of, respectively, 20% and 12%.

Canada Dry, benefiting from a taste test that compared its club soda favorably with some imported waters as a mixer, stormed to a 29.8% sales increase. Schweppes also reports excellent performance, up 30%. A&W, which went into the retail sector of the soft drink market only a couple of years ago, is still climbing.

In general, it was a good year for low-calorie brands. Now accounting for 14.4% of supermarket soft drink sales, diet movement rose more than twice as fast as overall soft drink volume. Diet Pepsi and Diet 7-Up are both now among the top 10 brands.

Cola remains the most important flavor, with 62.3% of the market, but there's some jockeying for position among other varieties. Lemon-Lime responded to a flat year for 7-Up by declining slightly to 12.1%, and orange also showed a little weakness in slipping to 7.3%. Root beers, now 5.5%, picked up a little as did the Pepper-type potables, which finished with a 7.9% market slice. "Other"—a catchall that includes the rising batch of citrus soft drinks—also gained, moving up to 4.9% of the total.

Powdered mix growth slows: Mix sales did not advance much faster than inflation in 1979, moving ahead 10.4% to \$491 million.

The avalanche of new items in this subcategory is finally showing signs of slowing down. This could, in turn, pave the way for a shakeout of "me, too" labels that many supermarkets feel is already overdue.

Presweetened formulations now beat the others by nearly three-to-one. If current trends continue, it looks like powders that need just

water and stirring will grab the bulk of the business within the next two years.

Bottled water strong: The American Bottled Water Association estimates that one person in 20 currently uses bottled water, though the ratio is considerably higher on the West Coast (about one in six).

Supermarket sales, about 20% of the total, rose twice as fast as sales from all outlets in 1979. Retailers now allot significant space to water, fueling a trend away from direct home delivery (still the favored distribution method).

Cocktail mixes rise: Dry cocktail mixes are still important, led by the Holland House line, but there's a noticeable swing toward the liquids. Better mixing quality and generally weak packaging are blamed for the shift.

"We're looking for sales gains of 20% or more in 1980," says Jim Yates, president of Master of Mixes, a leading marketer of liquid cocktail mixes. "Liquid seems to have pushed out dry, even in the Northeast, where dry remains very strong."

Fashions in mixed drinks have altered markedly in the last few years. The lines that best complement the move to "white goods" (vodka, gin, tequila) have the best chance of supermarket success. □

Soft Drinks: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Carbonated Soft Drinks	85.69	\$3,916.53	\$3,546.60	10.43	82.82	\$ 885.51	67	22.6
Bottled, Regular	45.93	2,099.26	1,904.40	10.23	44.18	472.33	21	22.5
Canned, Regular	25.36	1,159.29	1,048.80	10.53	24.61	263.16	14	22.7
Low-Calorie	14.40	657.98	593.40	10.88	14.03	150.02	32	22.8
Soft Drink Beverage Mixes	10.76	491.92	445.74	10.36	12.84	137.32	59	27.9
Powders, ...								
Presweetened	7.92	361.89	298.08	21.41	9.51	101.69	43	28.1
Powders, Regular	2.84	130.03	147.66	11.93	3.33	35.63	16	27.4
Ice Bars	0.14	6.27	5.52	13.59	0.21	2.29	1	36.5
Syrups	0.17	7.83	2.76	183.70	0.20	2.13	1	27.2
Nonalcoholic Cocktail Mixes	1.70	77.54	44.16	75.59	1.97	21.02	13	27.1
Powdered	0.12	5.43	4.42	22.85	0.15	1.55	8	28.6
Liquid	1.58	72.11	39.74	81.45	1.82	19.47	5	27.0
Bottled Water	1.54	70.50	57.96	21.64	1.96	20.94	7	29.7
Total	100.00	\$4,570.59	\$4,102.74	11.40	100.00	\$1,069.21	148	23.4
% of total store volume . . . 2.91%								

Spaghetti sauce a winner

Sauces and dressings are entering the era of the Big Tradeoff.

In an atmosphere of economic turbulence and heightened nutritional awareness, consumers will be making choices based on budget, health, convenience, taste and life-style. And the order of their priorities will determine the sales fate of many products.

Spaghetti sauce has ridden the budget/convenience/taste escalator to double-digit sales increases over the past several years. Until sales began to level off, it was the fastest-growing member of the tomato sauce family.

Traditionally, when red meat prices rise, consumption of beef drops, and pasta and spaghetti sauce take off as consumers trade down their meals.

That's what happened in the consumer meat boycott of 1973 when pasta sales rose 20%. Yet pasta sales in 1979 increased only minimally and remained soft the first quarter of 1980. Spaghetti sauce, however, has fared better.

Pasta execs are perplexed by this double-vision readout. Sauce company officials, however, see it clearly: In addition to using pasta as a vehicle for spaghetti sauce, consumers are pouring spaghetti sauce over meat, pizza, and vegetables, as well as in main dishes.

Convenience is also encouraging people to give up old habits. Instead of using two products (tomato sauce and tomato paste) plus water to make their own spaghetti sauce, many are now buying ready-to-



serve prepared spaghetti sauce.

The same scenario is apparent in spaghetti dry mix dressings. The need to add paste, seasoning and water to the enveloped product

goes against the consumer's convenience grain.

Still, pasta is the base for 85% of spaghetti sauce usage. This fact is not lost on manufacturers, who are trading up to gourmet tastes by offering such combinations as mushroom/onion, onion/peppers, and sausage/peppers.

Salad dressings: Convenience is boosting the bottles and dueling dry mixes to a standstill.

Bottled salad dressing is receiving added impetus from a constant influx of new flavors (more than a half-dozen in the past 18 months). In addition, bottled may soon cut into dry mix's stronghold with expanded distribution of no-oil, gum and vinegar-based products.

The U. S. Surgeon General has fueled the launching of oil-free

Incidence of Purchase (per 1,000 POS transactions)		
Spaghetti sauce	Unit sales	Dollar sales
1979	16	\$17.25
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+ 25	+ 25

Source: TRIM Inc.

SAUCES & DRESSINGS

dressings, saying that more than 40% of an individual's caloric intake is from fats and oils. That figure, according to the Surgeon General, should be no more than 25%, one-half of which should be polyunsaturated.

Dry salad mix is a natural on the oil-less wagon, because it allows the user to control the type, quantity and consistency of the oil.

In addition, dry mix costs less than bottled, offers a unique blend of spices and requires less storage space. Yet bottled, with assistance from working women, microwave ovens, fragmented dinners and quick meals, has overridden such considerations.

Changing eating habits are tipping sales toward vinegar-based dressings. This is particularly applicable as more diet-aware consumers use salads for a main dish. They regard oil-vinegar as an inte-

gral part of a fresh, light meal.

Low-calorie dressings have changed on two fronts: the name and the formula. As of July 1, 1980, the F.D.A. has decreed that in order for a food to be labeled "low-calorie," it must meet two criteria:

Shoppers' search for economy, convenience and taste has boosted category as a whole

(1) It may not exceed 40 calories per serving. (2) It may not contain more than 1/20th of a calorie per gram. If it does not meet both criteria, then it might fit into the "reduced calorie" category.

Sales of low-calorie foods in today's calorie-conscious marketplace

have been below expectations (10% of the market) due to negative taste reaction. However, less than two years ago low-calorie products were reformulated, and with the new flavors low-calorie's sun has begun to rise again. A tip-off of things to come is Weight Watcher's line of dressings and sauces.

Ethnic touches: A bright spot in the ethnic category is Mexican sauces and seasoning mixes, which are riding on the coattails of fast-growing Mexican food. While ethnic foods are growing at an annual rate of 14%, Mexican food's volume is increasing at a 19%-23% annual rate.

An exec at Lawry's says Mexican seasoning mixes are fast approaching the sale of its spaghetti sauce mix and that taco seasoning mix is a runaway best seller.

Mustard: After running flat for five years, mustard is upscaling on two fronts. One is the industry's

Sauces: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dry Mixes & Seasonings	10.84	\$ 139.43	\$ 135.24	3.10	15.88	\$ 45.60	57	32.7
Gravy Mix	3.53	45.43	37.26	21.93	5.30	15.22	17	33.5
Sloppy Joe Mix/Seasoning ...	0.73	9.40	11.04	- 14.85	1.04	3.00	3	31.9
Chili Mix/Seasoning	1.22	15.67	13.80	13.55	1.80	5.17	5	33.0
Spaghetti Sauce Mix/Seasoning	1.22	15.67	17.94	- 12.64	1.82	5.22	6	33.3
Other Dry Mixes & Seasonings	4.14	53.26	55.20	- 3.50	5.92	16.99	26	31.9
Mustard	5.96	76.76	69.00	11.25	6.23	17.88	17	23.3
Catsup	27.12	349.23	319.34	9.36	21.72	62.33	18	17.8
Plain	24.44	314.76	303.68	3.65	19.41	55.71	14	17.7
All Other Catsup	2.68	34.47	15.66	120.11	2.31	6.62	4	19.2
Spaghetti Sauce	26.54	341.53	270.48	26.27	23.23	66.65	34	19.5
Meatless	15.22	195.83	161.46	21.29	13.24	37.99	20	19.4
With Meat	9.37	120.63	86.94	38.75	8.03	23.04	12	19.1
With Clams	1.95	25.07	22.08	13.54	1.96	5.62	2	22.4
Meat Sauce	11.69	150.39	136.62	10.08	12.63	36.24	26	24.1
Cooking Wine	0.24	3.13	1.38	126.81	0.36	1.03	1	33.0
Gravies, Prepared	2.92	37.60	30.36	23.85	3.30	9.48	10	25.2
Gravy Flavoring, Liquid	0.49	6.27	6.90	- 9.12	0.55	1.57	1	25.1
Chili Sauce	1.44	18.53	19.32	- 4.08	1.53	4.39	3	23.7
Cocktail & Seafood Sauce	0.61	7.83	6.90	13.48	0.66	1.90	2	24.2
Mexican Sauces	4.11	52.90	48.30	9.52	4.96	14.23	14	26.9
Pizza Sauce	0.49	6.27	5.52	13.59	0.54	1.56	1	24.8
Hot Sauce	1.34	17.23	13.80	24.86	1.55	4.46	5	25.9
Soy & Teriyaki Sauce	2.07	26.63	26.22	1.56	2.41	6.92	6	26.0
All Other Sauces	4.14	53.26	40.02	33.08	4.45	12.78	17	24.0
Total	100.00	\$1,286.99	\$1,129.40	13.95	100.00	\$287.03	212	22.3
% of total store volume . . . 0.82%								

SAUCES & DRESSINGS

Incidence of Purchase (per 1,000 POS transactions)		
Bottled salad dressings	Unit sales	Dollar sales
1979	41	\$35.23
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	-3	+5
Source: TRIM Inc.		

promotion of mustard as an ingredient for gourmet cooking in addition to its traditional use as an add-on sauce. Two, in time of recession, mustard gets a lift because it's an inexpensive condiment.

Mustard's uptraded image is reflected in the Dijon-type products, along with the surge of brown and grey mustards.

Heublein's Grey Poupon, the No. 1 Dijon-type mustard, has increased volume 20% per year for the past four years.

The brown and grey mustard brigade is led by California, with the Midwest and East still preferring yellow. Overall, yellow does 75% of the total mustard business.

The advent of the poly-squeeze bottle six years ago didn't add many new customers, according to a leading manufacturer. "It just caused them to switch."

Mayonnaise: Convenience, habit, budget and calories all converge on mayonnaise, allowing this comparatively expensive item to maintain a steady sales course. A serving of mayonnaise has the same caloric content as a serving of butter or margarine, but consumers say they use less.

Also, most consumers view mayonnaise as a condiment—the same as mustard and catsup—and not as a "budget-cutter." A spokesman at General Foods notes that "mayon-

naise sales are also being helped by the popularity of buttermilk-based dry dressings, which account for 18% of total salad dressings. This is because users add mayonnaise as well as buttermilk."

Catsup: According to sociologists, the American family is getting smaller, and with more singles and couples, smaller sizes are gaining market share. Yet Heinz's 44-oz. catsup has proved to be the "most successful new product introduction in many years," according to a Heinz marketer. "The appeal is not so much the 5% savings, but fewer trips to the store."

Despite the 44-oz. size, catsup sales are flat. The product has been able to avoid a big dip in sales because it is widely used to camouflage inexpensive cuts of meat.

Sauces, gravies: The same holds true for sauces and gravies. Typical is the double-digit growth of A-1 Steak Sauce. A-1, the top-selling steak sauce, has broadened usage through its Steakburger ad campaign.

Barbecue sauce is breaking away from its fun-in-the-sun image as leisure time increases. And high beef prices are making bland-tasting chicken an attractive buy—with barbecue sauce a natural flavor enhancer. □

Dressings: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)		
Dry Dressing Mixes for Salads	5.13	\$ 57.96	\$ 59.34	- 2.32	6.73	\$ 14.20	16	24.5
Mayonnaise	32.69	369.72	364.32	1.48	18.56	39.19	11	10.6
Dressing for Salad	14.69	166.06	149.04	11.42	13.78	29.06	7	17.5
Dressings, Bottled	41.11	464.99	386.66	20.26	53.56	112.93	61	24.3
Italian	13.18	149.00	121.80	22.33	17.10	36.06	13	24.2
French	8.79	99.43	85.40	16.43	11.27	23.76	10	23.9
Russian	2.62	29.67	26.42	12.30	3.21	6.77	4	22.8
Thousand Islands	3.53	39.90	35.88	11.20	4.58	9.66	5	24.2
Coleslaw	0.69	7.83	6.90	13.48	0.95	2.00	1	25.5
Cheese	3.02	34.20	31.60	8.23	3.96	8.35	5	24.4
All Other Bottled Dressings	9.28	104.96	78.66	33.44	12.49	26.34	23	25.1
Spreads	6.38	72.07	43.06	67.37	7.37	15.55	9	21.6
Sandwich Spread	1.80	20.37	17.94	13.55	2.13	4.50	3	22.1
Tartar Sauce	0.97	10.97	8.28	32.49	1.25	2.63	1	24.0
Garlic Spread	0.42	4.70	4.14	13.53	0.59	1.24	1	26.4
All Other Spreads	3.19	36.03	12.70	183.70	3.40	7.17	4	19.9
Total	100.00	\$1,130.80	\$1,002.42	12.81	100.00	\$210.93	104	18.7

% of total store volume . . . 0.72%



Sales top half-billion-dollar mark

Innovative packaging, the appearance of more fructose-sweetened products and increased competition among manufacturers propelled sales of dietetic, low-calorie and health foods to a 15.9% gain last year. Sales of these items totaled \$534.2 million in 1979, the first time the category has broken the half-billion-dollar mark.

"We're on the upswing of a wave that hasn't peaked yet," says an official of Best Foods, a West Coast distributor of health foods whose sales rose more than 18% last year.

The American consumer's concern over health promises to provide continued strong support for growth for many products in this category. "If you don't think the country is concerned about weight control and health, just look at the sales of diet books like Dr. Pritikin's," the distributor says.

The role of Government is of increasing importance to this category, he adds. "The Government gives these items a boost by generating a lot of publicity that makes people health-conscious."

Dietetic foods are gaining wider acceptance from consumers. "People are discovering that diet foods appropriate for people on medically

prescribed diets are also appropriate for people who are not diabetics or victims of hypertension, but who simply want to restrict the intake of salt, sugar and cholesterol," says an official at the Estee Corp., which markets low-calorie candy and gum, cookies, desserts, spreads and sugar substitutes.

At the same time, supermarkets are paying more attention to this category, which accounts for only 0.3% of supermarket sales. A number of chains that see the category's potential are publishing booklets and other dietetic guidelines for consumers who are watching their weight and seeking to restrict the

intake of salt, sugar and cholesterol. Some supers flag dietetic items with special "lo-cal" signs, and most merchandise these items in their own special section.

Competition heated up last year in spreads and syrups, sauces and dressing and juice-packed canned fruits. More fructose-based formulations appeared.

Several manufacturers added fructose-sweetened spreads and syrups to their lines, while Del Monte and Libby introduced new "light" juice-packed fruits.

Low-sodium: Canned meat and fish with little or no added salt scored a gain of 70.1% last year.

Incidence of Purchase (per 1,000 POS transactions)		
Diet supplements	Unit sales	Dollar sales
1979	8	\$7.35
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	-9	-5
Source: TRIM Inc.		

DIETETIC & LO-CAL

Total sales of these products reached \$4.7 million. Although small, this is a subcategory with obvious growth potential, since it is part of the general trend toward greater consumer buying of low-sodium products.

A distributor reports beef stew, chili and beans and spaghetti and meat balls among the fastest moving low-sodium items. In poultry, chicken dumplings stand out as a popular item while in fish the leaders are canned tuna; salmon and sardines packed in soy oil, water or tomato sauce.

The trend toward low-sodium products is confirmed by the experience of Chicago Dietetic Supply Inc. "I guess 75% of our business is now in low-sodium items," a Chicago Dietetic official says.

Among drinks, low-sodium tomato juice is the fastest-moving item for this company. "We're also doing well with some low-sodium snack items. Low-sodium pretzels are especially hot. We have a cereal that is doing very well, too." Although Chicago Dietetic believes dietetic fruit drinks are selling better than ever, it has no plans to enter this market "because we can't

compete on cost against a Dole or a Tillie Lewis."

The trend toward low-sodium products is also obvious in canned vegetables. "Consumers are going for low-sodium peas, beans, peas and carrots, tomatoes and asparagus," says an official of Diet Delight.

Diet supplements: Both liquid and powder supplements ran counter to the overall category trend and reported declining sales. Manufacturers say these products aren't getting the shelf space they need. This subcategory showed a sales dip of 15.7% last year.

Compartment meals: In dinners and lunches, Foodways National, maker of the Weight Watcher line, says consumers are trading down to one- and two-compartment meals. "There is a very evident swing away from three-compartment meals," a manager says. Price is part of the reason.

The three-compartment controlled-portion meals carry retail tickets with an average range of \$2.29 to \$2.69, compared with a range of \$1.49 to \$2.09 for the meals with one and two compartments. These smaller dinners now account

for about 85% of total sales, with three compartment meals accounting for the other 15%.

Sweeteners, substitutes: In artificial sweeteners and sugar substitutes, "It's amazing but it is growing," according to Marvin Eisenstadt of Cumberland Packing, maker of Sweet N Low. This subcategory showed an increase in sales of 13.3% last year.

"People are growing more sophisticated, and we're getting better tests that suggest the FTC overfed saccharin to laboratory rats, causing cancer. Congress has extended the moratorium on saccharin until mid-1981. So I'm quite confident about the future for these products," he says.

A manager at Tillie Lewis adds, "If the consumer saw a danger, the sale of saccharin sweetener would go down and these items would be discontinued. That hasn't happened."

Improved package labeling is a help in this category, as more manufacturers are starting to realize. The diet-conscious shopper's demand for specific information is being met by more details and easier-to-find labeling. □

Dietetic & Low-Calorie Foods: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Supplements	7.63	\$ 40.73	\$ 48.30	- 15.66	7.05	\$ 9.50	16	23.3
Liquid	4.40	23.50	27.60	- 14.85	3.80	5.12	10	21.8
Powdered	1.47	7.83	12.42	- 36.95	1.38	1.86	3	23.7
All Other Diet Supplements ..	1.76	9.40	8.28	13.53	1.87	2.52	3	26.8
Artificial Sweeteners & Sugar Substitutes	12.61	67.36	59.46	13.29	13.75	18.52	15	27.5
Salt Substitutes & Low Sodium Salt	1.17	6.27	5.52	13.59	1.27	1.71	3	27.2
Candy & Gum	1.47	7.83	6.90	13.48	1.42	1.91	4	24.4
Cookies & Crackers	6.16	32.90	30.36	8.37	6.72	9.05	4	27.5
Desserts & Toppings	3.52	18.80	17.94	4.79	3.14	4.23	8	22.5
Spreads & Syrups	7.92	42.30	49.68	- 14.85	6.97	9.39	9	22.2
Sauces & Dressings	10.56	56.40	48.30	16.77	10.39	13.99	14	24.8
Dinners (Not Supplements)	18.46	98.70	88.32	11.75	20.29	27.34	11	27.7
Fish & Meats	0.88	4.70	2.76	70.29	0.65	0.87	1	18.6
Vegetables	0.59	3.13	2.76	13.41	0.64	0.86	4	27.4
Fruits	9.09	48.56	40.02	21.34	8.22	11.07	16	22.8
Juices & Drinks	14.37	76.78	48.30	58.96	13.74	18.50	8	24.1
All Other Low-Calorie Products ..	5.57	29.77	12.42	139.89	5.75	7.74	6	26.0
Total	100.00	\$534.23	\$461.04	15.87	100.00	\$134.68	119	25.2
% of total store volume . . . 0.34%								

DAIRY PRODUCTS

Salads, juices build record sales

Supermarket dairy department sales outpaced the rate of inflation in 1979, although a few star performers of yesteryear, notably yogurt and cheese, failed to match earlier performance. Total sales from the dairy department, as measured by *Chain Store Age Supermarkets*, increased 15.25% to a record \$18.3 billion, up from \$15.9 billion in 1978.

Refrigerated juices, drinks and salads were among the strongest performers, with margarine, cottage cheese and party snacks showing good growth. Refrigerated dough products bounced back from 1978's dismal performance and turned in an impressive record.

These products are doing well despite the ravages of inflation and recession in part because consumers, as health-conscious as ever, seek the convenience and quality offered by refrigerated dairy items. To the retailer concerned about the high cost of running refrigeration



Dairy Products: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Fluid Milk Products	27.77	\$ 5,094.81	\$ 4,705.80	8.27	24.89	\$1,049.53	7	20.6
Yogurt	4.10	751.97	690.00	8.98	4.12	173.70	84	23.1
Eggs	14.43	2,647.57	2,401.20	10.26	9.36	394.49	11	14.9
Cheese	16.86	3,094.05	2,668.50	15.95	21.50	906.56	185	29.3
Ice Cream/Ice Milk	11.53	2,114.92	1,918.20	10.26	13.24	558.34	77	26.4
Margarine	6.97	1,278.35	1,031.70	23.91	7.55	318.31	43	24.9
Butter	4.61	845.97	772.80	9.47	3.43	144.66	11	17.1
Refrigerated Juices & Drinks ...	4.89	896.76	594.78	50.77	5.72	241.23	39	26.9
Refrigerated Dough Products ...	1.89	346.22	208.38	66.15	2.13	89.67	41	25.9
Refrigerated Salads	0.09	17.23	8.28	108.09	0.16	6.82	3	39.6
Fish & Fish Snacks	0.47	86.16	66.24	30.07	0.65	27.49	19	31.9
Toppings	0.33	61.10	51.06	19.66	0.40	16.93	5	27.7
Pizza	0.01	1.57	0.00	0.00	0.01	0.43	1	27.2
Yeast	0.05	9.40	9.66	- 2.68	0.06	2.47	2	26.3
Party Snacks	0.59	107.99	63.48	70.12	0.75	31.64	39	29.3
Cottage Cheese	4.04	741.34	528.54	40.26	4.69	197.94	30	26.7
All Other Dairy Case Items	1.37	251.05	201.48	24.60	1.34	56.49	32	22.5
Total	100.00	\$18,346.46	\$15,920.10	15.24	100.00	\$4,216.69	629	23.0

% of total store volume . . . 11.69%

DAIRY PRODUCTS

Canned & Dry Milk: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Canned Milk	46.29	\$171.46	\$151.80	12.95	37.50	\$18.71	7	10.9
Evaporated	37.64	139.43	125.58	11.03	27.10	13.52	6	9.7
Condensed	8.65	32.03	26.22	22.16	10.40	5.19	1	16.2
Dry Milk	47.79	177.03	161.46	9.64	56.65	28.27	13	16.0
Plain	45.25	167.63	154.56	8.46	52.39	26.15	12	15.6
Flavored	2.54	9.40	6.90	36.23	4.26	2.12	1	22.6
All Other Canned & Dry Milk ...	5.92	21.93	15.18	44.47	5.85	2.92	3	13.3
Total	100.00	\$370.42	\$328.44	12.78	100.00	\$49.91	23	13.5
% of total store volume . . . 0.24%								

units, this suggests the energy-intensive dairy case is more than pulling its weight.

Refrigerated salads posted the largest increase in the dairy department, up 108.1% on a dollar basis in 1979 over 1978. The jump was made on a small base, a mere \$8.3 million in 1978 and \$17.2 million last year.

In-store deli trend: One reason for the improvement is the trend toward in-store deli departments. "A lot of chains are adding delis, and where they don't want to pay for a service deli they add the deli on to the dairy. So we are seeing a rather dramatic increase in the sale of deli items such as sliced luncheon meats and prepared salads out of the dairy," says an official of the American Dairy Association.

Another factor behind the growth of the salad line is product diversity. "The old standby items were coleslaw, potato salad and macaroni salad. Now you have meat salads, specialty salads, ethnic salads. We carry 60 items," says Leonard Fink, sales manager of Sally Sherman Foods, Mount Vernon, N.Y. Prices haven't increased much, he maintains.

Refrigerated juices and drinks scored well again last year, increasing 50.8% on a dollar basis to a record \$896.8 million in sales. It was the second year in a row this subcategory posted a gain of more than 50%, a sure sign that despite inflation/recession consumers are prepared to pay for fresh products that offer convenience and value.

Margarine and cottage cheese, with their strong appeal to weight-conscious consumers, posted gains

of 23.9% and 40.3% respectively. The growth in margarine outdistanced butter, which scored a 9.5% gain. The trend in spreads was underlined when Beatrice Foods announced its Hotel Bar Butter would get a companion product derived from soybeans—Hotel Bar Margarine. (Land O'Lakes had already taken a similar step earlier.) The American Dairy association says another factor in the continuing growth of cottage cheese is im-

Margarine, cottage cheese, party snacks also helped boost sales to \$18 billion

proved production techniques resulting in "a standard quality that people can easily recognize."

Dough, ice cream set records: Trading up by consumers helped propel the refrigerated dough and ice cream lines to new sales records last year.

"People are going back to the good grades of ice cream, really high-priced ice creams that sell for \$2 a quart. The reason is that weight-conscious consumers find they are satisfied with a single scoop of better ice creams," says an industry source. In refrigerated dough products, "We're finding that inflation is persuading consumers to buy the better-quality, higher-priced biscuits instead of the cheapest biscuits," says a leading manufacturer.

The dairy association says fluid milk products held their own or increased slightly last year. The *CSA Supermarkets* index shows an increase of 8.3%, below the rate of inflation. The dairy association replies that statistics which show declining fluid milk consumption are misleading if they are based, as many are, on butterfat content. A spokesman says, "As people consume more milk with butterfat content of 1% or 2% instead of the standard 3.25%, an index based on the standard butterfat content would show a decline when in fact there may have been an increase."

Yogurt and cheese leveled off somewhat last year. "Yogurt has been one of the fastest-moving products the last three to five years, but I suspect it is flattening out because it has reached most of the people you can reach," says a manufacturer. "We think the future is still bright, and yogurt will be a mainstay of the dairy department, but the days of very high growth may be passed."

"Last year was a real surprise for us," says a cheese manufacturer. "All through the 70's we were used to strong year-to-year growth, but 1979 was virtually a no-growth situation for processed cheese, while natural cheese went up 5% or 6%. The growth in natural cheeses was mostly in cheddar, Colby, Swiss."

Egg consumption continued a recovery last year, according to the American Egg Board. It hit a low of 271 eggs per capita in 1977, but with the help of a nationwide advertising campaign increased to 277 in 1978 and 282 in 1979. □

Giants fight for market share

Double, double toil and trouble/fire burn and cauldron bubble—Macbeth.

Shakespeare was right. The soup pot, both this year and last, has been a cauldron of competition as instant soup/lunch manufacturers in particular worked overtime to conjure up the brew that would win shelf space and customer loyalty.

Although the battle may not produce as many victims as one of Mr. Shakespeare's tragedies, survival will be costly. The principals here are among the giants of the industry: Nissen, Maruchan Inc., Sanwa Foods, Grand Imperial, Nestlé S.A., American-based General Mills, Kraft and Lipton. These companies and a host of regionals are battling in a market that has been relatively flat in the last year.

Dry soup and instant lunch sales made marginal gains in '79, although given the category's explosive three-year growth, that is hardly surprising. Sales moved ahead an average 4.56% last year for the combined dry/canned category.

"It's a real bloodbath in some regions," says Martha Rappaport of General Mills, Minneapolis, whose Mug-O-Lunch is knocking heads with Lipton's Lite Lunch and Nestlé's Cup of Noodles.

Part of the problem may be the product itself. Although the manufacturers are convinced the concept is still viable, no one seems to be completely satisfied with the actual items. Changes in serving size, packaging and even the noodles themselves are still in the offing.

Nestlé S.A., for instance, which developed the popular Soup Time, has the largest research and development budget in the business, according to a company spokesman. The Swiss conglomerate is spending a piece of that budget test-marketing its Lunchtime, a noodle-base one-serving product with varieties ranging from cheese with ham to chow mein.

"The ideas on this one are just unbelievable," says the spokesman, Mike Perry, "but the economy will have a lot to do with it, because the



Unit Movement

The following chart shows each canned & dry soup category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Dry Soup Mixes	161	7.11
Noodle	55	2.43
Onion	41	1.81
All Other	65	2.87
Bouillon Cubes	45	1.99
Individual Dry Soup Mixes	127	5.61
Single-Strength Soups	263	11.61
Condensed Soups	1,667	73.68
Broths	84	3.71
Consomme & Bouillon	30	1.33
Cream of Chicken	81	3.58
Chicken Gumbo	21	0.93
Chicken Noodles	242	10.69
Chicken Vegetable	29	1.28
Chicken With Rice, Stars, etc.	107	4.73
Tomato, Cream of Tomato,		
Tomato Bisque	236	10.43
Tomato Rice	17	0.75
Vegetable	97	4.29
Vegetable Beef	64	2.83
Vegetarian Vegetable	47	2.08
Minestrone	21	0.93
Bean All Types	32	1.41
Beef	27	1.19
Beef Noodle	16	0.71
Clam Chowder	49	2.17
Mushroom All Types	274	12.11
Pea	36	1.59
Turkey All Types	24	1.06
All Other Condensed Soups	133	5.88
Total	2,263	100.00

CANNED & DRY SOUP

economy has a lot to do with convenience."

Because of the economy, consumers suddenly viewed some products as overpriced, forcing a quick reformation. "They did a hell of a job when they came into the market," says one critic, "but they had no repeat sales, because ounce for ounce they were way overpriced."

But competition has brought prices down, and retailers could have a field day with deals if the fire stays hot. Indeed, some manufacturers say that discount stores are jumping into the market as the deals become more attractive.

"The category has leveled off as far as its growth goes," says Chuck MacConnell of Grand Imperial, whose Take 5 was an early entry into the market. "From here on in it

could be all out war, because what space is there is all there's going to be."

Condensed drops: The condensed soup market is still spelled C-a-m-p-b-e-l-l's, and that company is the first to acknowledge

Regional makers join the fray as market flattens after three years of strong growth

that soup sales have been less than glimmering over the last nine months.

"Consumers aren't spending as much of their disposable incomes on

food," financial vice president Richard Censits recently explained to stockholders, "and stores have reduced the amount of inventory that they have warehoused."

The inventory situation probably hurts Campbell's more than others, given the depth of the company's product line.

But at the same time, the company is confident that the category will not slack off like other products. "As the recession continues," Censits said, "we would expect that a product such as soup would be somewhat recession-proof."

Perhaps the most recession-proof has been the single-strength soups such as Campbell's Chunky Soup. Those varieties registered a 10.82% increase, outdistancing the 3.01% gain made by condensed soups. □

Canned/Dry Soup: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dry Soup Mixes	12.76	\$ 207.10	\$ 200.30	3.39	14.95	\$ 47.46	24	22.9
Noodle	4.97	80.73	77.72	3.87	5.82	18.49	7	22.9
Onion	3.93	63.77	61.09	4.39	4.10	13.01	3	20.4
All Other	3.86	62.60	61.49	1.81	5.03	15.96	14	25.5
Bouillon Cubes	1.83	29.77	24.84	19.85	2.48	7.86	12	26.4
Individual Dry Soup Mixes	6.73	108.30	100.74	8.50	8.26	26.23	21	24.0
Single-Strength Soups	11.87	192.69	173.88	10.82	12.79	40.66	23	21.1
Condensed Soups	66.81	1,084.76	1,053.04	3.01	61.52	195.24	64	18.0
Broths	3.66	59.47	58.98	0.83	3.84	12.19	5	20.5
Consomme & Bouillon	1.29	20.97	19.66	6.66	1.51	4.78	2	22.8
Cream of Chicken	3.68	59.77	58.67	1.87	3.54	11.24	2	18.8
Chicken Gumbo	1.56	25.40	23.28	9.11	1.63	5.18	1	20.4
Chicken Noodles	7.90	128.33	120.04	6.91	6.59	20.92	5	16.3
Chicken Vegetable	1.36	22.10	21.04	5.04	1.39	4.40	2	19.9
Chicken w/Rice, Stars, etc.	7.19	116.73	111.40	4.78	6.03	19.14	4	16.4
Tomato, Cream of Tomato								
Tomato Bisque	7.51	121.93	120.72	1.00	4.69	14.88	3	12.2
Tomato Rice	1.19	19.27	20.52	- 6.08	1.30	4.12	1	21.4
Vegetable	3.94	63.90	57.60	10.94	3.50	11.12	5	17.4
Vegetable Beef	3.68	59.77	59.33	0.74	3.35	10.64	2	17.8
Vegetarian Vegetable	1.58	25.67	26.14	- 1.79	1.33	4.24	2	16.5
Minestrone	1.01	16.40	15.79	3.86	1.12	3.54	1	21.6
Bean—All Types	1.48	24.10	23.90	0.84	1.68	5.33	2	22.1
Beef	1.55	25.10	24.63	1.91	1.64	5.20	2	20.7
Beef Noodle	1.10	17.83	16.90	5.50	1.22	3.87	2	21.7
Clam Chowder	2.84	46.03	47.60	- 3.29	3.09	9.80	4	21.3
Mushroom—All Types	6.64	107.83	106.94	0.83	5.84	18.55	5	17.2
Pea	1.68	27.23	25.18	8.14	1.87	5.94	1	21.8
Turkey—All Types	1.07	17.40	17.10	1.75	1.07	3.39	2	19.5
All Other Condensed Soups ...	4.90	79.53	77.62	2.46	5.29	16.78	11	21.1
Total	100.00	\$1,623.82	\$1,552.80	4.56	100.00	\$317.45	144	19.6
% of total store volume . . . 1.03%								



Frozen food sales cool

Gathering thunderheads are threatening to put a serious damper on the 50th anniversary celebration of the invention of frozen foods. Although frozens shattered the \$10 billion sales barrier for the first time last year, rising 9.8% to approximately \$10.2 billion, it doesn't take a genius to see that all is not well.

Although some subcategories, notably prepared foods and frozen vegetables, performed well last year, weak spots became all too apparent in traditionally strong segments such as frozen juice, potatoes and bakery. While it is considered likely that these lines will resume normal growth in 1980, there's no guarantee that the nation's recession/inflation won't trigger a serious slide similar to the one that occurred during the mid-1970's.

"We used to believe that frozen foods were invulnerable," admits an official of an industry trade group. "Frozen food manufacturers learned differently when sales of baked goods and similar products

nosedived about five years ago." Suppliers appear more savvy about the need to maintain key price points in sensitive subcategories like frozen baked goods. For example, although frozen pies experienced a price increase of over 13% in 1979, suppliers still managed to keep the retail tag under the magic \$1 figure that could spur a consumer turn-off.

Perhaps of even greater importance, most frozen food processors

stand ready to put more muscle behind product promotion at the first sign of unit movement slippage. Actually, the 50th anniversary celebration itself, scheduled to continue throughout 1980, is providing potent help in staving off any serious decline in tonnage. Not only are most suppliers allocating extra funds for special promotions, but collateral editorial sparked by the publicity the event has generated is doing much to remind shoppers of the quality and value of frozen foods.

Display space expands: Although the smaller-than-usual sales increase in 1979 must be cause for concern, retailers' outlook is still obviously bullish for the long term. The ongoing trend toward larger

Incidence of Purchase (per 1,000 POS transactions)		
Frozen juices	Unit sales	Dollar sales
1979	186	\$123.90
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+2	+10
Source: TRIM Inc.		

FROZEN FOODS

supermarket frozen food departments remained in force in 1979, with the average section increasing nearly 7%, up to 309 linear feet in food stores doing \$500,000 or more annually.

As would be expected, superstores offer a much larger selection of frozen food items. Stores of more than 25,000-sq.-ft. field frozen departments measuring 433 linear feet. Breaking out some of the major categories: vegetables, 72 ft.; poultry, 34 ft.; entrees, 49 ft.; din-

ners, 49 ft.; fish and seafood, 42 ft., and pizza, 28 ft.

Although retailers are still attempting to find the proper balance between energy-saving and impulse sales appeal when it comes to cabinets, 1979 furnished further evidence of a move toward multideck cases and away from single-decks. While 80% of all supermarkets had some straight cabinets in 1976, this dropped to 71% last year. Over the same period of time, the use of multidecks, especially the glass door

variety, proliferated. Only 69% had such equipment in 1976, but today the figure is 79%.

Juices mixed: Sales of frozen concentrated orange juice dove 16% last year, but a bounce-back is likely. The biggest problem is the competition from other forms of juice, principally refrigerated packed in glass, and from mixes and ades.

Coca-Cola Foods is growing about its hot new frozen juice item, Five Alive. This blend of orange, grape-

Frozen Foods: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Prepared Frozen Foods	16.84	\$ 1,712.83	\$1,483.50	15.46	17.27	\$ 497.40	182	29.0
Dinners/Lunches/Breakfasts ..	5.34	543.17	452.64	20.00	5.28	152.09	75	28.0
Pizza	5.70	579.88	527.16	10.00	6.08	175.12	34	30.2
Meat Pies	1.78	180.75	162.84	11.00	1.72	49.53	14	27.4
Other Prepared Frozen Foods ..	4.02	409.03	340.86	20.00	4.19	120.66	59	29.5
Entrees	19.44	1,978.64	1,706.81	15.93	19.62	565.49	165	28.6
Breakfast Entrees	4.65	473.12	326.66	44.84	4.76	137.20	28	29.0
Prepared Fish Entrees	5.79	589.05	483.10	21.93	5.99	172.59	53	29.3
Prepared Meat Entrees	5.40	549.88	593.40	- 7.32	5.28	152.32	56	27.7
Prepared Poultry Entrees	3.60	366.59	303.65	20.73	3.59	103.38	28	28.2
Meat Unprepared	2.00	203.66	331.20	- 38.50	2.06	59.47	19	29.2
Poultry Unprepared	5.93	603.14	535.44	12.84	4.39	126.66	57	21.0
Seafood Unprepared	2.50	254.47	291.18	- 12.60	2.63	75.91	25	29.8
Fish	1.34	136.34	143.52	- 4.99	1.43	41.18	14	30.2
Shellfish	1.16	118.13	147.66	- 19.99	1.20	34.73	11	29.4
Soups	0.08	7.83	183.70	0.08	0.08	2.30	3	29.4
Potato & Onion Products	4.08	414.89	465.06	- 10.78	4.46	128.66	39	31.0
French Fried Potatoes	2.51	255.36	289.80	- 11.87	2.74	78.91	18	30.9
All Other Potatoes	1.22	123.76	139.38	- 11.20	1.35	38.98	16	31.5
Onions	0.35	35.77	35.88	- 0.30	0.37	10.77	5	30.1
Vegetables	16.62	1,693.50	1,424.16	18.91	17.46	502.97	188	29.7
Special	5.53	562.41	492.66	14.16	5.80	167.04	79	29.7
Regular	11.09	1,131.09	931.50	21.43	11.66	335.93	109	29.7
Fruits & Berries	3.08	313.32	132.48	136.50	2.78	80.21	16	25.6
Juices & Drinks	14.82	1,506.45	1,622.88	- 7.16	13.81	398.05	49	26.4
Orange	10.79	1,097.56	1,306.86	- 16.01	9.79	282.07	16	25.7
Grape	0.79	79.90	73.14	9.24	0.77	22.21	5	27.8
Lemon/Lime/Orangeades	1.68	170.76	144.90	17.85	1.69	48.67	14	28.5
Apple/Cider	0.87	88.51	50.81	74.20	0.87	25.06	7	29.0
All Other Juices & Drinks	0.69	69.72	47.17	47.81	0.69	20.04	7	28.7
Bakery Products	11.21	1,138.93	1,043.28	9.17	11.87	342.32	150	30.1
Bread & Bread Products	2.16	219.33	126.96	72.76	2.35	67.77	27	30.9
Pies—All Types	3.33	338.39	285.66	18.46	3.63	104.56	43	30.9
Cakes	3.22	327.42	295.32	10.87	3.19	92.01	45	28.1
Donuts & Rolls	1.22	123.76	120.06	3.08	1.36	39.23	15	31.7
All Other Bakery Items	1.28	130.03	215.28	- 39.59	1.34	38.75	20	29.8
Whipped Toppings	1.57	159.79	60.72	163.16	1.55	44.74	5	28.0
All Other Frozen Foods	1.83	186.62	168.36	10.85	2.02	58.23	25	31.2
Total	100.00	\$10,174.07	\$9,267.83	9.78	100.00	\$2,882.40	923	28.3
% of total store volume . . . 6.48%								

FROZEN FOODS

fruit, lemon, lime and tangerine juices tested well in St. Louis, Indianapolis and Seattle and is now rolling out nationally.

Frozen ades marked time in 1979. Sales volume rose thanks to the higher prices caused by the California lemon freeze, but unit movement gained only slightly. Regular lemonade represents 70% of frozen ade business in supermarkets, while pink lemonade holds a 20% share and limeade accounts for the rest. This closely parallels lemonade's dominance of the powdered mix category. A spokesman for a leading frozen ade maker points to the fact that lemonade has "an adult connotation not shared by some of the other juices and ades" as the main reason for the flavor's sales supremacy.

Prepared items forge ahead: Led by a whopping 20% sales increase for dinners, lunches and breakfasts, the prepared foods subcategory chalked up a 15.5% jump in sales to \$1.7 billion. A big contributor to the across-the-board advance was the continued strength of frozen meat pies. So-called experts have sung dirges for meat pies more than once in the last decade, but that hasn't kept meat pies from remaining steady sellers, racking up double-digit sales increases.

Processors of frozen prepared foods are taking decisive steps to head off a major challenge to future sales growth—the burgeoning popularity of the microwave oven. Now found in 10% of the nation's kitchens, these space-age cooking devices will be used by one family in five within the next five years.

The problem: Aluminum foil trays, long standard packaging for frozen dinners, can't be used in a microwave oven. Although putting microwave cooking instructions and recipes on packages is certainly one way to cater to this emerging market segment, the real answer to the problem is a switch to packaging compatible with all types of cooking devices.

Green Giant, Mrs. Paul's and Banquet Foods are among the companies that have already switched to paperboard trays for this reason. Making the biggest splash in 1979, however, was the Swanson division of Campbell Soup Co. Besides establishing the Microwave Information Center at its Camden, N.J., headquarters, Swanson has introduced Main Course entrees in microwave-compatible trays. The six-item line includes macaroni and

cheese, turkey with gravy and dressing, lasagne with meat, steak and green peppers, Salisbury steak and chicken in white wine sauce. Additionally, Swanson has put three breakfast items—scrambled eggs and sausage with hash browns, French toast with sausage and pancakes with sausage—and an "economy" line of multicourse dinners in similar paperboard trays.

Ethnic market builds: Frozen food items based on foreign specialties continue to score well in the supermarket. Italian is still the most popular, with 50% of the ethnic frozen food movement, but Mex-

ican is coming up fast and now has 30% of the business. Sales of Mexican items are still relatively weak in the Northeast, a trend RJR hopes to reverse with its recently marketed trio of Patio Mexican dishes.

Kosher foods, as might be expected, are strongest in New York City and other metropolitan areas with a significant Jewish population. Moslems, who practice similar dietary laws, are also a good market, though companies like Empire are trying to widen the audience for their products to include those to whom "kosher" simply denotes high

Unit Movement

The following chart shows each frozen foods category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Prepared Frozen Foods	1,476	14.53
Dinners, Lunches, Breakfasts	536	5.28
Pizza	296	2.91
Meat Pies	334	3.29
Other Prepared Frozen Foods	310	3.05
Entrees	1,275	12.55
Breakfast Entrees	245	2.41
Prepared Fish Entrees	258	2.54
Prepared Meat Entrees	541	5.33
Prepared Poultry Entrees	231	2.27
Meat Unprepared	49	0.48
Poultry Unprepared	903	8.89
Seafood Unprepared	70	0.69
Fish	44	0.43
Shellfish	26	0.26
Soups	4	0.04
Potato & Onion Products	455	4.49
French Fried Potatoes	282	2.78
All Other Potatoes	142	1.40
Onions	31	0.31
Vegetables	2,149	21.14
Special	564	5.55
Regular	1,585	15.59
Fruits & Berries	267	2.63
Juices & Drinks	2,203	21.68
Orange	1,478	14.55
Grape	100	0.98
Lemon-, Lime-, Orangeades	380	3.74
All Other Juices & Drinks	245	2.41
Bakery Products	809	7.97
Bread & Bread Products	198	1.95
Pies All Types	211	2.08
Cakes	205	2.02
Donuts & Rolls	107	1.05
All Other Bakery Items	88	0.87
Whipped Toppings	176	1.73
All Other Frozen Foods	323	3.18
Total	10,159	100.00

FROZEN FOODS

quality in food products.

Fried chicken sizzles: Recognized as a formidable weapon against the fast food challenge by many retailers, fried chicken sales continued to outpace the rest of the category last year, achieving a sales jump of 21%.

"It is difficult to be over-optimistic about the future of frozen prepared chicken," says a spokesman for Banquet Foods, the leading brand. "The dynamics of the market, primarily the increasing cost of red meat, favor frozen fried chicken sales growth."

Frozen desserts rebound: Mini-pies have had a roller coaster history since their initial introduction in 1975. The 5-inchers got off to a fast start, but volume slumped badly in 1977-78. Now single-serving desserts are once again a hot item.

Morton Frozen Foods, the market share kingpin, gets much of the credit for the comeback. To overcome what the company perceived as "flavor fatigue"—consumers simply got tired of the limited selection—it has created a 14-item line of Great Little Desserts. These products, which include fruit pies, cream pies and no fewer than four mini-cheesecakes, have revitalized the sagging subcategory and sent sales soaring.

Coming up fast in the frozen sweet goods segment is Ore-Ida's Mrs. Goodcookie frozen cookies. Offered in five varieties, the 1-lb. pre-portioned cookies are reportedly a smash hit in every market in which they are distributed. The line has already seized 5% of total frozen sweet goods business in supermarkets, and the chocolate chip variety is said to be the best single seller in this segment of the category.

Fish items score well: The twin hallmarks of the frozen fish and seafood business for the last five years



are product proliferation and rising quality. This is especially true of the newer battered prepared fish items, which generally use cod, whiting or haddock rather than pollock.

Among the important new items in 1979:

- Gorton's "Extra-Crunchy" prepared items.
- Booth Fisheries' Beer and Buttermilk batter variations.

- Van de Kamp's Country Seasoned line, which uses herbs, spices and Japanese bread crumbs.

Frozen food forecast: Rich Products, Buffalo, has patented a new soft freezing process that promises great things for the future. Freeze Flor binds water to other natural substances, such as sugar, in a product, preventing crystallization. The lack of free moisture prevents bacteria formation and improves shelf life.

The process makes possible things like pourable frozen drinks and desserts that are ready to eat practically right out of the frozen food case with no thawing time. Rich is already marketing items made using this process and will be licensing it to other manufacturers as well. This boost in convenience will make frozen foods better equipped to withstand the possible battle for consumer dollars with shelf-stable methods of product preservation, such as the much-discussed retort pouch. □

Incidence of Purchase (per 1,000 POS transactions)		
Frozen entrees	Unit sales	Dollar sales
1979	26	\$24.65
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+4	+7
Source: TRIM, Inc.		

Coffee perks up; tea bags top sales

Some unexpected things happened in the coffee category last year: Not only did supermarket sales increase an inflation-beating 14.5%, but per capita consumption also rose, if only slightly, for the first time in recent memory.

Coffee dollar volume reached \$3.9 billion last year, up from 1978's total of \$3.4 billion. Ground sales, still responding to the advent of easy-to-use drip coffeemakers like Mr. Coffee and Melitta, increased at a faster pace than instant, 16.0% to 13.9%, and claims nearly 60% of coffee category volume.

In truth, the post-World War II era has not been kind to coffee. A combination of adverse circumstances—the rising popularity of other beverages, changes in the American lifestyle and worry about possible effects of caffeine on health—conspired to cut the typical java-lover's ration from three cups a day 15 years ago to two cups today. Consumption in 1979, 10.8 lb. per person, is just 69% of what it was in 1957, and despite last year's pause, most analysts believe that the slide will resume in 1980.

The main problem is that—so far at least—coffee manufacturers have not successfully appealed to members of the “baby boom” generation. These people are now in their 20's



and 30's, and much more likely to reach for a soft drink rather than a cup of coffee to slake their thirst.

Some observers grumble that the coffee producers spend too many of their promotional dollars fighting for the allegiance of older folks already numbered among the ranks of coffee drinkers instead of aggressively luring younger people. General Foods, whose Maxwell House now trails Procter & Gam-

ble's Folger's in share-of-market 22.3% to 27.3%, may be taking the first tentative steps in a new direction with its recently initiated ad campaign. Cora's general store is closed, at least for a while, and Maxwell House commercials now consist of a series of vignettes in which coffee drinkers of all ages are shown enjoying a fresh cup.

Will economy blends fade? Two recent price drops of 10¢ each by

Tea: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Total	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Tea Bags	54.09	\$352.49	\$302.22	16.63	48.88	\$ 73.98	26	21.0
16-Count	5.79	34.47	27.60	24.89	7.20	9.38	8	27.2
48-Count	9.74	57.96	57.96	0.00	8.73	11.36	3	19.6
100-Count	31.84	189.56	153.18	23.75	23.45	30.52	5	16.1
All Other Tea Bag Counts	5.79	34.47	26.22	31.46	5.69	7.41	3	21.5
Loose/Bulk Tea	6.84	40.73	30.36	34.16	7.92	10.31	4	25.3
Instant & Liquid Tea	40.00	238.12	176.64	34.81	47.01	61.20	22	25.7
Total	100.00	\$595.31	\$471.96	26.14	100.00	\$130.17	45	21.9
% of total store volume . . . 0.38%								

COFFEE & TEA

major roasters underline the problems facing the "economy" coffees introduced back in 1977 when retailers threatened to go through the roof. While some sources peg these budget-stretcher brands at 8% of sales, *Chain Store Age Supermarkets* research estimates that 5% of the ground coffee total is probably closer to the truth.

These coffees, sold in 13-oz. and 26-oz. packages that are said to be equivalent to, respectively, 1-lb. and 2-lb. cans of regular coffee, just haven't burned up the track. "I don't think we've done as well as we'd hoped," acknowledges a spokesman for one of the companies offering economy coffee, "but then, the whole coffee business hasn't done so well lately."

P&G's Folger's Flaked is the only brand in full national distribution and has about 60% of the \$100 million market. General Foods is still testing Maxwell House Master

Blend in five cities, while Coca-Cola Foods markets Maryland Club in five southern and southwestern states and Butter-Nut Extra Measure in 10 midwest states. Hills Brothers High Yield is also in the stores, but seems plagued by the same problems that have cut market share for the company's regular ground to 6.6% and instant to 0.2%.

Tea time: Tea makers, unlike their coffee cousins, are enjoying a bullish market for their beverage. Sales rose 26.1% in 1979 to \$595.3 million, thanks to double-digit sales gains in every subcategory except 48-count tea bags.

The public's newfound interest in specialty and herbal teas does wonders for the supermarket's bottom line. Retailers accustomed to cutting a 25% margin on regular tea now get 30%—based on double the selling price—with these upscale items. Less reliance on specializing 100-count tea bags promotes more

shopping of the whole tea department, retailers find, since such promotions are usually done from end-aisle displays. Today's more sophisticated tea drinkers are much more likely to browse the whole tea section, instead of just shopping for the special, and they're buying enough to encourage many supermarkets to double the department's size to 8 ft.

Twinings, a long-respected name in tea, is cracking the supermarket in a big way with self-shippers, while Bigelow continues to rack up impressive performance with favorites like its Constant Comment. Celestial Seasons, the pioneer in the herbal tea field, still holds sway despite attempts by other companies to get into the act.

The larger manufacturers haven't been entirely successful in appealing to the fast-growing specialty tea market, but Lipton and General Foods are both trying hard. □

Coffee: 1979 Performance—\$1 Million Supermarkets

	Sales			Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Avg. Gross Margin (% of Retail)
Specialty Coffees	1.58	\$ 61.10	\$ 62.10	- 1.60	2.72	\$ 10.94	17.9
Ground & Whole Bean Coffee ..	57.40	2,218.75	1,911.30	15.98	41.00	164.74	7.4
Drip	17.07	659.54	564.42	16.85	11.16	44.85	6.8
Fine	1.91	73.63	74.52	- 1.18	1.04	4.20	5.7
Regular	13.75	531.08	467.82	13.52	9.65	38.77	7.3
Electric Percolator	10.83	418.28	382.26	9.42	6.77	27.19	6.5
All-Purpose	6.13	236.56	164.22	44.05	4.83	19.40	8.2
Decaffeinated Ground/ Whole Bean Coffee	4.95	191.13	160.08	19.40	5.14	20.64	10.8
Flaked Coffee	2.76	106.53	97.98	8.73	2.41	9.69	9.1
Coffee Creamers (Powdered) ...	3.74	144.13	120.06	20.05	7.93	31.88	22.1
3 oz.-8 oz.	0.41	15.67	13.80	13.55	0.89	3.57	22.8
9 oz.-13 oz.	0.61	23.50	22.08	6.43	1.40	5.64	24.0
Over 13 ozs.	2.72	104.96	84.18	24.69	5.64	22.67	21.6
Instant Coffee	24.75	955.62	839.04	13.89	30.85	123.96	13.0
2 oz.	1.62	62.66	53.82	16.43	2.67	10.71	17.1
4 oz.	1.18	45.43	53.82	- 15.58	1.81	7.27	16.0
6 oz.	4.18	161.36	135.24	19.31	5.46	21.95	13.6
8 oz.	1.87	72.06	70.38	2.39	3.08	12.39	17.2
10-16 oz.	8.40	324.29	280.14	15.76	8.07	32.43	10.0
All Other Sizes of Instant Coffee	0.24	9.40	2.76	240.58	0.41	1.64	17.4
Decaffeinated Instant Coffee ..	7.26	280.42	242.88	15.46	9.35	37.58	13.4
Freeze-Dried Coffee	11.80	448.05	402.96	11.19	13.69	55.03	12.3
Regular—All Sizes	7.38	285.12	274.62	3.82	8.87	35.64	12.5
Decaffeinated—All Sizes	4.22	162.93	128.34	26.95	4.82	19.39	11.9
Coffee Filters	0.93	36.03	37.26	- 3.29	3.81	15.31	42.5
Total	100.00	\$3,861.88	\$3,372.72	14.50	100.00	\$401.86	10.4
% of total store volume . . . 2.46%							

Promos return snacks to limelight

While supermarket sales of snack foods last year slackened from 1978's torrid pace, bursts of feverish promotional activity succeeded in hoisting dollar volume over the \$2 billion mark.

Suppliers, buoyed by the dynamic performance of Mexican-style chips in recent years, unwrapped a variety of line extensions and product imitations and watched the corn-tortilla chip market climb more than 17%.

Even pretzels, weakened lately by the public's growing concern over sodium intake, bounced back to score its biggest year-to-year gain in nearly a decade.

Popcorn, though, notched the most impressive upswing. Dollar volume for this \$46 million category has literally doubled over the past 24 months. "Popcorn has finally shed the stigma that it's fattening," says Jim Fowler, marketing manager for American Popcorn Co. "The product's now being looked at as a nutritional snack."

This rosy outlook is being taken with more than a grain of salt by most of the nation's other snack manufacturers, who have fought an uphill battle to undo the damage inflicted by the "junk food" accusers.

Suppliers, to their credit, have displayed remarkable skill, keeping sales on a steady forward track through aggressive promotions and in-store displays. The fact that unit movement, rooted in a stationary position through the mid- to late 70's, advanced modestly last year is an indication that the public's negativism toward the category may be fading.

Yet all the hurly-burly of activity hides a gnawing frustration among suppliers, who feel that retailers can dramatically improve profitability by treating snacks as a profit center, not as a draw.

"Take the Northwest, for instance," says David McDonald, president of the Nally's division of Curtice-Burns Inc. "They [supermarkets] had been placing a strong emphasis on private label, to a point where it accounted for roughly 38%



of market share. The price was right, but the only problem was that gross margins hovered around 9%, virtually eliminating profits."

Manufacturers were successful in convincing Northwestern retailers to allocate more shelf space to name brands, which offer substantially higher gross margins. The result? Snack sections there continue to draw shoppers, but now they bring in profits as well.

McDonald's example, of course, lends ideal support to the profit-center theory. But there's another element that may prompt retailers to start rolling the red carpet down

the snack foods aisle: the economic crunch.

With the economy on the downslide and inflation still running rampant, gross margins and turnover have never been more important. Snacks, when properly mixed and positioned, lead most categories in both areas with a 27.2 gross margin and a turn rate as high as once every six days.

A Frito-Lay marketer takes it a step further: "Snacks are 'expandable' items. Unlike toilet paper or light bulbs, for instance, they're exhausted immediately. In other words, the more that's purchased, the faster it's consumed—and the sooner the shopper returns to the store."

That's the major reason retailers are placing more emphasis on larger packages, particularly twin-packs and family-size. A more subtle reason is that price increases have a stronger impact on smaller packages.

Range widens: One of the worst casualties of higher retail prices is the potato chip market. While it's still the category mainstay with roughly 50% of the section's sales, pallid tonnage gains in recent years have sent numerous manufacturers scurrying to broaden their snack lines.

Consider Wise, the Borden-owned company deeply rooted in the East. "Wise has historically relied on potato chips for the bulk of its sales," says Vincent Barion, vice president of marketing. "But lately our efforts have been directed at expanding the snack line."

The company's strategy is nearly foolproof: Acquire firmly established regional brands and gradually phase in the Wise label.

In a bid to capitalize on the booming corn-tortilla chip market, Borden rolled its Bravo brand out last April. Currently, the company is breaking with the first tortilla chip with sesame seeds, an extension of the Bravos line.

But the real winner in the corn and tortilla chip area is Frito Lay, estimated to hold nearly 80% of the \$557 million category. Its newest entry is Tostitos, which went national in '79 and quickly began

SNACK FOODS

breaking every Frito-Lay record for new product sales.

New twist: Long a stepchild to the snack category, the growing popularity of seasoned products has propelled pork rinds into the spotlight. In fact, several suppliers and private labelers report that in certain parts of the country pork rinds are the second-fastest-selling item (behind potato chips) sold in single packages.

One estimate puts the pork rind market for last year at \$130 million, and its future growth rate is projected to be about 10% a year over the next five years.

Hail to the poppers: Orville Redenbacher may be credited with reviving the craze for popcorn, but hot air poppers are taking the bows for sustaining the dynamic sales surge. "Popcorn poppers are one of the hottest kitchen appliances in the market today," says Jim Fowler of American Popcorn.

After Hunt-Wesson took the market by storm in '78 with its Redenbacher gourmet popcorn entry, industry observers anticipated only moderate growth last year. But the advent of the poppers, supported by extensive TV and print advertising, sent popcorn sales soaring at a 27% clip and kept suppliers scrambling to stay abreast of demand. Retailers in the Midwest report that a new gourmet corn designed to compete with Hunt-Wesson's, Jolly Time Premium Popcorn, is rapidly moving off their shelves.

While manufacturers see the boom continuing, they say that a temporary slowdown may occur this summer—but only because of a

Incidence of Purchase (per 1,000 POS transactions)		
Potato chips	Unit sales	Dollar sales
1979	47	\$40.77
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	-6	+3
Source: TRIM Inc.		

shortage of the kernel and its slow maturation rate.

On the down side: Despite persistent efforts by Procter & Gamble to reverse the steady erosion of its Pringle's market, the fabricated chip continues to plunge. "Retailers prefer them because the cannister package is much more practical," says one supermarket merchandiser. "But that's little consolation for a terminally ill product."

The fall of Pringle's has had a devastating effect on a number of "me-too" brands. Planters, for instance, is phasing its chip-in-a-cannister out of the market. "We simply see no future for stackable potato chips," says Bob Truckenbrod, director of marketing for Standard Brands-owned Planters.

What's ahead: The consensus is that 1980 will be a quiet year in terms of new products, with the possible exception of the corn-tortilla chip area. "With the economy the way it is now, the industry's less likely to take a risk with a new in-

troducton," Nally's McDonald feels.

One real concern is the rising costs of distribution, particularly fuel. While the store-door delivery system remains the most viable method, chippers say they'll devote more attention to improving the system's efficiency.

Much, too, depends on the current crop yield. Indications of a potato shortage is a worrisome sign for manufacturers. Past experience, though, shows that snack sales are affected less by nature than the mood of consumers.

The Potato Chip Institute's unrelenting drive to promote the nutritional value of snacks is credited with diluting the junk food stigma.

But the most dramatic expectation is the move by major suppliers to eat up the firmly planted regional. "There's little doubt that we are going to see a consolidation of the snack food industry," says McDonald. "The field will be marked by fewer independents." □

Snacks: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/Brands/Sizes at Whse.	Avg. Gross Margin (% of Retail)
Snacks	100.00	\$2,053.44	\$1,835.71	11.86	100.00	\$559.36	45	27.2
Potato Chips	55.08	1,130.80	1,009.25	12.04	49.93	279.31	6	24.7
Fabricated Snacks	4.66	95.73	110.10	-13.04	4.42	24.70	6	25.8
Corn-Tortilla Chips	26.19	537.77	458.85	17.20	31.05	173.70	6	32.3
Pretzels	8.86	181.99	165.19	10.17	8.69	48.59	4	26.7
Popcorn	2.26	46.48	36.70	26.65	2.45	13.71	3	29.5
All Other	2.95	60.67	55.62	9.08	3.46	19.35	20	31.9
Total	100.00	\$2,053.44	\$1,835.71	11.86	100.00	\$559.36	45	27.2
* % of total store volume . . . 1.31%								

PET PRODUCTS



Pets get first-class treatment

Television viewers who wondered whether Scruffy the terrier or Boomer the mutt would fetch the coveted Patsy award—the animal kingdom's version of the Oscar—are among the millions of pet-loving shoppers who pushed pet food and supplies sales to record highs in 1979.

Supermarkets captured over \$3.2 billion for pet products, up about 6% over 1978. Dog food dollars totaled almost \$1.7 billion in 1979; cat food approached that level with sales of about \$1 billion.

A move to better-quality, higher-priced food and nonfoods, coupled with a high inflation rate, caused dollar volume to mushroom.

Across the board, premium lines outpaced lower-quality brands in both dollars and tonnage as more knowledgeable consumers chose nutritionally balanced foods from among both dry and canned sub-categories. Price became a factor in shoppers' buying decisions only when quality levels were equal.

Dry dog food led the category, accounting for \$764.50 million, up over 12% from 1978. Industry figures indicate tonnage increases at a

2½% rate for all dog food; dry climbed slightly more than that. Generic dry food also rose in 1979.

According to an official at a leading pet food firm, "The dry category has shown strong gains for a long period of time because people continue to recognize it as a fully balanced, nutritionally complete, convenient, less costly dog food."

Al Wisneski, national sales director, Kal Kan Foods, attributes the dry food increases to the fact that "People who bought low-priced cans may have switched to even lower-priced dry."

While dry dog food sales and tonnage climbed, canned products marked time. Overall canned dog food dropped 0.04%, with the major drop coming in the over-1-lb. cans segment, which fell about 15%.

Closer scrutiny shows that while the entire category's volume was off, maintenance lines declined at an increasing rate, but premium brands showed a positive trend.

A spokesman for Allen Products, makers of Alpo, believes that "People discovered that the price difference between maintenance and premium brands like Alpo just

Incidence of Purchase (per 1,000 POS transactions)		
Cat food, canned	Unit sales	Dollar sales
1979	159	\$44.53
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number		
Source: TRIM Inc.		

PET PRODUCTS

wasn't that great. So they paid the extra pennies and chose the premium brands."

Another industry source claims that price- and nutrition-conscious pet owners began to supplement lower-cost daily feedings of dry food with two or three days' premium canned meals.

A major market audit firm's figures support these claims. Canned dog food enjoyed a 43% market share in 1972, but by 1979 the share had slipped to 29%. In 1972, specialty, or premium, items accounted for about 40% of the canned dog food, but by 1979 it represented 55%. On the other hand, maintenance, or lower-cost, lesser-quality, products plummeted from 58% of canned food sales in 1972 to 30% by 1979. Sources report these trends continuing into 1980.

While dollar sales of soft-moist products climbed in 1979—\$293.41 million, an increase of over 14% from 1978—tonnage dropped. Says a leading pet foods supplier, "The soft-moist foods are very expensive on a per-pound basis, so the decline makes sense in light of today's economy."

Cat food trends: While industry sources claim dog owners are buy-

ing bigger sizes, cat owners are choosing smaller, single-feeding cans, probably because these sizes circumvent the need for refrigeration of leftovers.

That difference aside, 1979 trends in cat food are in sync with those for dog food. Dry cat food sales rose, as did canned premium lines. Maintenance cans declined at an increasing rate. Costlier soft-moist began to decline as the novelty of these newer entries wore off.

Dog and cat candy specialty climbed about 13½% to hit \$181.73 million, but recessionary trends may prompt a falling off similar to the one that occurred during 1974's recession.

Space allocated to pet foods jumped from 182 linear feet in 1975 to 233 ft. in 1979, industry figures reveal. Retailers are reluctant to hand over any more shelf space to the category, and in fact are beginning to pare inventory so that only the best movers will remain. Suppliers, especially those in the dry food market, are elbowing for more space by beefing up ad budgets to ensure steady sales build-up.

One brand? Hartz is still the pet nonfoods leader in supermarkets even though recent Federal Trade

Commission rulings prevent the firm from enforcing territorial restrictions on its distributors or offering price reductions to retailers in return for exclusive shelf space.

The fact is, however, that retailers like Hartz's full-line supply because it simplifies inventory control. Also, consumers trust the Hartz name and retailers know that that trust is a precious commodity in today's cautious marketplace. Few retailers, therefore, have as yet decided to go with other suppliers, though larger firms like Miller-Morton are starting to make more inroads.

Among top sellers in the \$261.86 million category are flea and tick collars. Miller-Morton's entry gets "excellent movement in supers," reports a company spokesman.

At American Leather Specialties, vice president Bob Weinberg sees a trend toward better-quality, higher-ticket merchandise such as latigo collars and leashes that retail for about 20% more than cowhide items.

Cat litter volume climbed in 1979 and should continue to do so in 1980, thanks to good gains in generic lines and the development of more effective products. □

Pet Products: 1979 Performance—\$1 Million Supermarkets

	% of Dept. Sales	Sales			Profit		Assortment Items/ Brands/ Sizes at Whse.	Margin Avg. Gross Margin (% of Retail)
		1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)		
Dog Food Canned	19.72	\$ 634.48	\$ 634.80	- 0.04	18.64	\$136.81	69	21.6
1 lb. & Under	16.70	537.35	520.26	3.28	15.89	116.61	60	21.7
Over 1 lb.	3.02	97.13	114.54	-15.19	2.75	20.20	9	20.8
Dog Food Semi-Moist	9.11	293.41	256.68	14.31	7.56	55.47	26	18.9
Packaged—Under 2 lb.	0.74	23.95	19.32	23.96	0.66	4.81	5	20.1
Packaged—2 lb. & Over	8.37	269.46	237.36	13.52	6.90	50.66	21	18.8
Dog Food Dry	23.75	784.50	688.62	11.82	18.92	138.80	63	18.2
Under 10 lb.	9.15	294.52	229.08	28.57	7.71	56.55	25	19.2
10 lb & Over	14.60	489.98	459.54	2.27	11.21	82.25	38	17.5
Cat Food	31.10	1,001.06	990.88	1.03	30.32	222.61	115	22.2
Canned	19.90	640.74	625.14	2.50	19.64	144.17	75	22.5
Dry	8.52	274.16	273.28	0.32	8.07	59.22	29	21.6
Semi-Moist	2.68	96.16	92.46	- 6.80	2.61	19.13	11	22.2
Dog/Cat Candy & Specialties ...	5.65	181.73	160.08	13.52	6.64	48.70	33	26.8
Bird Food	1.95	62.66	51.06	22.72	3.04	22.31	10	35.6
Pet Non-Food Items	8.14	261.86	227.70	15.00	13.74	100.82	64	38.5
All Other Pet Food	0.58	18.80	16.56	13.53	1.14	8.35	7	44.4
Total	100.00	\$3,218.50	\$3,026.38	6.35	100.00	\$733.76	387	22.8

% of total store volume . . . 2.05%

Spices pepper category sales

T heir diets becoming drearier as their national economy became sicker, Americans last year turned to spices for a mealtime lift. The results were growth and some unexpected trends.

Movement of meat tenderizer, normally an indication that financially strapped consumers are trading down to cheaper cuts of beef, dropped more than 7%. At the same time, seasonings used to prepare poultry dishes gained significantly. Observers saw the figures as an indication that many consumers were foregoing red beef and buying alternatives; manufacturers termed the tenderizer trend a "temporary setback" that should reverse itself when beef prices drop.

Indeed, it may have been the only real negative sign in dry spices. Sales rose nearly 13% and overall tonnage was up a respectable 1.5% to 2%, with several categories showing growth of five times that.

"Fortunately it [spices] is a broad category, and it can adjust itself easily to the ups and downs of the economy," says a spokesman for McCormick & Co., one of the two leaders in the spice trade.

Adjust it did. A back-to-scratch-baking trend that coincided with the onset of the gasoline shortage last year sparked sales and movement increases of such spices as cinnamon and nutmeg. Seasoned salt, one of the ingredients that adds life to ground beef dishes, showed significant unit growth. The so-called ethnic spices—including oregano, garlic and Mexican-oriented concoctions like chili powder—suffered no letdown in a surge that began a few years back.

A new standout in the last two or three years is the salad-related category, which includes imitation bacon bits, specialty seasonings and the ever-popular seasoned salt. Imitation bacon and related products alone chalked up a 10% increase in unit movement last year.

Manufacturers continue to focus a good portion of their marketing effort on the ever-increasing number of working women, women with less time and more money. Recipe-oriented promotions showing working women how to use spices easily



are the effort's mainstay; the technique worked well last year.

Extracts suffer: Little appeared to work well when it came to the extracts side of the business, however. Reports on extracts' performance ranged from "marginal

growth" to "continued decline." The category's heavy hitter, vanilla, is still slumping because of a shortage of vanilla beans, although shoppers seemed to prefer the much higher-priced real thing to several new artificial substitutes.

Incidence of Purchase
(per 1,000 POS transactions)

Spices	Unit sales	Dollar sales
1979	31	\$29.01
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+3	+9

Source: TRIM Inc.

SPICES & EXTRACTS

The spice and extract market, meanwhile, lost one of its longtime veterans when Brooke Bond Foods Inc. of New York decided this

spring to fold its Ehlers Spice division and leave the field to leaders McCormick and Durkee. Company officials would not elaborate on the

shutdown, but observers say it stemmed from a Brooke Bond decision to focus efforts on its tea operations. □

Spices & Extracts: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)		
Extracts & Food Coloring	9.64	\$ 62.66	\$ 60.72	3.19	9.56	\$ 20.66	30	33.0
Lemon Extract	0.48	3.13	2.76	13.41	0.55	1.18	2	37.8
Vanilla Extract	6.27	40.73	38.64	5.41	5.86	12.67	8	31.1
All Other Extracts								
[Incl. Grenadine & Bitters] ..	1.93	12.53	13.80	- 9.19	2.09	4.52	16	36.1
Food Coloring	0.96	6.27	5.52	13.59	1.06	2.28	4	36.4
Pepper	14.01	90.86	80.48	12.90	13.89	30.00	16	33.0
Black	12.57	81.46	73.14	11.38	12.26	26.47	13	32.5
White	0.48	3.13	1.82	71.98	0.56	1.21	1	38.6
Red/Cayenne	0.96	6.27	5.52	13.59	1.07	2.31	2	36.9
Whole & Ground Spices	15.68	101.84	88.32	15.31	17.77	38.38	35	37.7
Cloves	1.93	12.53	9.66	29.71	2.16	4.66	3	37.2
Cinnamon	3.86	25.07	22.08	13.54	4.40	9.50	4	37.9
Nutmeg	1.45	9.40	8.28	13.53	1.60	3.46	1	36.8
Paprika	2.41	15.67	13.80	13.55	2.68	5.80	3	37.0
All Other Whole & Ground								
Spices & Seeds	6.03	39.17	34.50	13.54	6.93	14.96	24	38.2
Leaf Spices & Herbs	7.23	47.00	40.02	17.44	8.59	18.56	17	39.5
Basil	0.96	6.27	5.52	13.59	1.11	2.41	1	38.4
Oregano	1.93	12.53	11.04	13.50	2.15	4.64	3	37.0
Thyme	0.48	3.13	2.76	13.41	0.58	1.26	2	40.3
All Other Leaf Spices & Herbs ..	3.86	25.07	20.70	21.11	4.75	10.25	11	40.9
Vegetable Seasonings	16.62	108.10	97.98	10.33	18.16	39.25	31	36.3
Bell Pepper Flakes	0.24	1.57	1.38	13.77	0.29	0.63	1	39.9
Parsley Flakes	2.41	15.67	12.42	26.17	2.56	5.53	4	35.3
Chopped Chives	0.48	3.13	2.76	13.41	0.56	1.21	1	38.8
Celery Flakes & Seeds, etc. ...	0.72	4.70	5.52	-14.85	0.87	1.89	3	40.1
Onion Flakes & Juice, etc. ...	5.06	32.90	31.74	3.65	5.48	11.84	13	36.0
Garlic Flakes & Powder, etc. ...	6.99	45.43	40.02	13.52	7.61	16.45	7	36.2
All Other Vegetable Seasoning	0.72	4.70	4.14	13.53	0.79	1.71	2	36.3
Table Salt	6.99	45.44	40.62	11.87	4.50	9.73	7	21.4
Regular	3.13	20.37	22.85	-10.84	2.06	4.46	4	21.9
Iodized	3.86	25.07	17.77	41.08	2.44	5.27	3	21.0
All Other Salt	0.96	6.27	5.52	13.59	0.80	1.72	4	27.5
Other Seasoning & Flavoring ...	28.87	187.70	162.84	16.27	26.73	57.76	61	30.8
Chili Powder	1.93	12.53	12.42	0.89	2.04	4.41	4	35.2
Garlic Salt	3.86	25.07	23.46	6.86	3.96	8.55	6	34.1
Monosodium Glutamate [MSG] ..	2.89	18.80	15.18	23.85	2.13	4.61	3	24.5
Seasoned Pepper	0.96	6.27	6.90	- 9.12	0.85	1.83	3	29.2
Meat Tenderizers	2.41	15.67	13.80	13.55	2.10	4.54	5	29.0
Charcoal Flavoring,								
Artificial Smoke	0.72	4.70	2.76	70.29	0.68	1.47	2	31.2
Seasoned Salt	5.54	36.03	34.50	4.43	4.95	10.70	9	29.7
Special-Purpose Seasonings &								
Seasoning Mixes	2.65	17.23	13.80	24.86	2.74	5.93	8	34.4
Cinnamon-N-Sugar	0.35	2.27	1.38	64.49	0.38	0.82	2	35.9
Horseradish [Shelf Stable] ...	0.33	2.13	1.38	54.35	0.29	0.62	3	29.0
All Other Seasoning & Flavoring	7.23	47.00	37.26	26.14	6.61	14.29	16	30.4
Total	100.00	\$649.67	\$576.50	12.73	100.00	\$215.05	261	33.2

% of total store volume . . . 0.41%

SPREADS & SYRUPS



Hopes high for lunch staples

Jam and jelly manufacturers are hitching their wagon to a traditional trading partner and eyeing the future with hope. Like pasta producers and bread bakers, they know that hard times bring more movement of their products.

It's a trend that didn't really hit

the jam and jelly industry in 1979. Jam and jelly sales roughly kept pace with inflation, posting increases of 11.7% and 13.5%, respectively. But tonnage was flat, although brighter moments began to appear toward the end of the year.

Traditional favorites continue to dominate the market. Grape jelly

currently accounts for about 45% of sales, and strawberry pulls a fairly consistent 25% share. National brands account for nearly 70% of the market, with private label and generic jams and jellies taking up the rest. In some geographic areas, private label and generic items outdistance the nationals, but the ma-

Spreads: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Apple & Other Fruit Butters	1.46	\$ 10.97	\$ 8.28	32.49	1.75	\$ 2.79	3	25.4
Peanut Butter	53.13	397.92	356.04	11.76	44.01	70.03	33	17.6
Marshmallow Spread	1.67	12.53	9.66	29.71	1.87	2.96	1	23.8
Jellies	14.22	106.54	93.84	13.53	17.14	27.28	26	25.6
Apple	1.46	10.97	6.90	58.99	2.09	3.32	4	30.3
Grape	10.04	75.20	66.24	13.53	11.53	18.35	13	24.4
All Other Jellies	2.72	20.37	20.70	— 1.58	3.52	5.60	9	27.5
Jams & Preserves	25.33	189.57	169.74	11.66	30.14	47.94	40	25.3
Blackberry	0.84	6.27	6.90	— 9.12	1.03	1.64	2	26.1
Grape	3.98	29.77	19.32	54.09	4.42	7.03	7	23.6
Peach	1.05	7.83	6.90	13.48	1.51	2.40	3	30.6
Raspberry	3.35	25.07	20.70	21.11	3.99	6.34	4	25.3
Strawberry	11.51	86.16	75.90	13.52	13.21	21.02	12	24.4
All Other Jams & Preserves	4.60	34.47	40.02	— 13.66	5.98	9.51	12	27.6
Marmalades	3.77	28.20	22.08	27.72	4.55	7.25	5	25.7
All Other Spreads	0.42	3.15	1.38	126.81	0.54	0.86	1	27.6
Total	100.00	\$748.86	\$661.02	13.29	100.00	\$159.13	109	21.2
% of total store volume . . . 0.48%								

SPREADS & SYRUPS

jors maintain they're not hurting. They see the situation as a battle between private label and generics. National manufacturers like Kraft, Welch and Smucker aren't sitting back to watch the other two categories slug it out, however; they continue to mount aggressive advertising and promotional campaigns.

Meanwhile, low-sugar lines introduced two years ago do not appear to have taken off yet. Manufacturers say they're still testing the products, originally seen as an alternative for nutrition-conscious consumers who worry about sugar.

Manufacturers voice optimism about 1980, but they also point to two possible clouds on the horizon: Sugar prices are skyrocketing, and prices on some fruits, like strawberries, are heading in the same direction. (Grapes, the market leader, are in good supply.)

Peanut butter: One category that did reap benefits from the worsening economy last year was peanut butter. Although sales only posted modest gains, peanut butter racked up a hefty 9% gain in tonnage. Observers say the increase was expected; financially strapped consumers who are faced with rising meat prices see peanut butter as a logical, cheap and protein-rich alternative.

Two brands continue to dominate the market. Best Foods' Skippy, the long standing leader, and Procter & Gamble's Jif battled nip and tuck for the No. 1 position for the first half of last year, each trading small leads several times. By year's end, Jif had

Unit Movement

The following chart shows each spread category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Apple & Other Fruit Butters	8	1.39
Peanut Butter	261	45.22
Marshmallow Spread	20	3.47
Jellies	107	18.55
Apple	11	1.91
Grape	72	12.48
All Other Jellies	24	4.16
Jams & Preserves	163	26.52
Blackberry	5	0.87
Grape	28	4.85
Peach	6	1.04
Raspberry	16	2.77
Strawberry	66	11.44
All Other Jams & Preserves	32	5.55
Marmalades	27	4.66
All Other Spreads	1	0.17
Total	577	100.00

emerged for the first time as the consistent leader, holding a slim 22.4% to 21.5% lead. Swift's Peter Pan was in third place, with a share of about 12.5%.

Syrups: For most syrups, it was a different—though not new—story. The youth market continues to dwindle in size, Americans are still shying away from heavy breakfast foods and the category's performance continued to follow suit. Two

exceptions were corn and cane syrups and pure maple syrup, items popular with the natural-foods crowd.

Despite its appeal to health fad-dists, honey is seen by many consumers as a luxury item because of its relatively high price. It's a product they feel they can do without in hard times, and as a result, honey sales were relatively flat. Tonnage dropped about 6%. □

Syrups: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Molasses	3.45	\$ 10.97	\$ 9.66	13.56	3.43	\$ 2.39	3	21.8
Honey	32.53	103.40	93.84	10.19	33.25	23.16	12	22.4
Churned Honey	0.98	3.13	8.28	-62.19	1.60	1.11	1	35.5
Pure Maple Syrup	3.94	12.63	9.66	29.71	3.96	2.76	1	22.0
Maple-Flavored Syrup	46.26	153.39	146.26	4.86	47.07	32.79	19	21.4
Plain	40.42	128.46	120.06	7.00	38.91	27.11	16	21.1
Buttered	7.84	24.93	26.22	- 4.91	8.16	5.68	3	22.8
Corn & Cane Syrups	7.39	23.50	19.32	21.64	7.06	4.91	4	20.9
All Other Breakfast Syrups	3.45	10.97	8.28	32.49	3.84	2.63	4	23.1
Total	100.00	\$317.89	\$295.32	7.64	100.00	\$69.66	44	21.9

% of total store volume . . . 0.20%



Sellers: there's no place like home

Ever try to eat just one peanut? It's virtually impossible, and consumers, who have been on a 10-year binge, are finding it pretty hard to stop, despite the economy's downturn.

Consumption of all types of nuts has risen to about 9 lb. per capita, up from 6 lb. in the last decade.

This \$570 million category registered another strong year in 1979, so recessionary fears are not strong in these quarters. "Nuts will probably slow down a little bit," says Ken Marx of Standard Brands, New York, "but not as severely as the rest of the market. Nuts will also return quicker to the prerecessionary growth pattern."

Dry roast continues to be the hot-

test thing in nuts, vaulting 29.36% last year. Dry roasted peanuts shot up 37.54%, outselling other roasts for the first time.

Why the switch to dry? "Consumers' perceptions of dry roasted are that they have fewer calories—they do, but not by much—and that they are less messy to eat," explains Marlane Wolf of Fisher Nut Co., Minneapolis. "And a lot of people like the crunchiness of dry roasted."

From the looks of things, there will be plenty of peanuts around to crunch. The United States is the third-largest peanut producer in the world, harvesting 1.6 million acres annually under Federal price support programs.

This year, support level for the crops—the minimum price the Gov-

ernment guarantees peanut farmers—rose to \$445 a ton from \$420 a ton last year.

Walnuts are making a comeback after an off year in 1979 caused by a short crop. The last walnut harvest, in the fall of 1979, produced a 205,000-ton crop, a 28% improvement over 1978.

Walnuts: "There are adequate walnuts available," says Jack Murvay of Diamond/Sunsweet, Stockton, Calif., "and retail prices are about a dollar lower per pound than last year. As a result, consumers have reacted favorably."

Heading toward this year's harvest, Murvay says the supply should be only slightly smaller than last year. Carryover will balance any supply shortfall however, and

NUTS



walnuts should be ready for shipments earlier than in prior years. Earlier delivery and adequate supply should put sales back on the plus side again, after last year's decline of 7%.

One of the real surprises in the nut category is mixed nuts. Generally carrying one of the higher tickets in the category, mixed nut traffic is holding steady despite the 1980 recession. "So far we really haven't felt the impact," says Wolf of Fisher. "People have gotten to

the point where they do more entertaining at home and are more willing to spend \$4 on fancy mixed nuts than \$25 on a fancy dinner."

Almonds: California's biggest tree crop is not oranges. It's almonds. Last year's California almond crop was a monster 370 million lb., worth more than \$550 million. Despite the enormous crop—double the previous year—prices for almonds held firm.

The principal reason behind this is that other countries are even hun-

grier than Americans for the stuff, and willing to pay for it. Last year 60% of the almond crop hit the road to Germany, Scandinavia, Great Britain and other northern European countries. Meanwhile, back in the United States, consumers gobbled down 100 million lb. of almonds.

Estimates for this year's crop, which will start harvesting next month, are about 300 million lb., slightly shorter than last year. This should mean adequate supplies, although prices will rise with inflation.

And the almond's reputation as a gourmet item should keep demand stable. "Consumers are more and more sophisticated in serving more varied meals featuring almonds," adds Ron Case of the California Almond Growers Exchange, "and the almonds are versatile, too, in appetizers, main courses and desserts."

Pistachios: Perhaps the sole beneficiary of the madness in Iran has been the fledgling California pistachio industry. By next year the Golden State will be the world's largest producer of pistachios, wresting that title from the Iranians. That nation's crop has shrunk to almost nothing due to natural causes and political chaos.

The California growers will fill that void easily, according to

Nuts: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Packaged Nuts—Regular	60.56	\$372.86	\$357.32	4.35	61.53	\$103.91	45	27.9
Peanuts	14.50	89.30	85.56	4.37	14.23	24.02	15	26.9
Walnuts	14.76	90.86	97.98	- 7.26	15.17	25.62	7	28.2
Mixed Nuts	12.72	78.33	71.76	9.16	11.87	20.05	6	25.6
Pecans	6.36	39.17	38.26	2.38	7.61	12.85	6	32.8
Cashews	8.40	51.70	43.06	20.07	7.96	13.44	5	26.0
Almonds	3.82	23.50	20.70	13.53	4.69	7.92	6	33.7
Loose Bulk Nuts	4.33	26.83	26.22	1.56	5.01	8.47	6	31.8
Dry-Roasted Nuts	20.86	128.47	99.36	29.30	18.87	31.84	13	24.8
Peanuts	16.02	98.70	71.76	37.54	14.10	23.79	9	24.1
Cashews	2.29	14.10	12.42	13.53	2.26	3.82	1	27.1
Almonds	2.55	15.67	15.18	3.23	2.51	4.23	3	27.0
All Other Dry-Roasted Nuts ...	2.55	15.67	13.80	13.55	2.56	4.33	2	27.6
All Other Packaged Nuts	11.70	72.06	57.96	24.33	12.03	20.32	16	28.2
Total	100.00	\$615.85	\$570.52	7.92	100.00	\$168.86	82	27.4
% of total store volume . . . 0.39%								

NUTS

Incidence of Purchase (per 1,000 POS transactions)		
Packaged nuts	Unit sales	Dollar sales
1979	32	\$43.12
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	 -3	 +13
Source: TRIM Inc.		

Harvey Amos of the California Pistachio Growers Association. The United States used to import about 20 million lb. annually from Iran. That has been reduced to zero, but the California crop that will be harvested this year will amount to about 25 million lb.

About 10 years ago the industry itself did not exist. The crop was planted because growers thought the trees were disease-resistant, and would virtually take care of themselves. This is not the case, says Amos, who adds that the trees are slow-maturing, needing about 8-10 years of growth to bear fruit.

And that "fruit" will carry a high price tag. Because of a significant export demand, the wholesale price, now about \$6 per pound, could inch up to higher levels.

Prices could fall within a year or two, however, as all 31,000 acres begin to bear fruit. Most of the trees are planted in former or current oil-bearing areas, as it was found that Iranian trees grew best in the country's oil regions.

Unlike the Iranian pistachios, California nuts will not be dyed red. The dye, red No. 2, is banned in this country. This makes it easy to distinguish imported from domestic varieties.

Red pistachios, dyed to hide shell stains and other blemishes in the nut, are still imported from Turkey and India; dyes other than red No. 2 are used.

Cashews: A little socio-economic history is in order. Most cashews are grown in Africa, but traditionally were sold by Indian traders, who bought the seeds from the Africans and shelled them in India.

As African nations emerged from colonialism they sought to keep the trade within their borders, and set up trading posts where natives would barter seeds for supplies.

The trading post concept collapsed when currency replaced barter. The natives simply had nothing to buy with their money, and the supply situation was thrown into chaos. "It's not that the cashews aren't there," says one importer. "It's just that they're not being collected. The transportation system's deteriorated, too."

Although the governments involved are reportedly seeking outside help again, the problem still remains. And if that hasn't done enough to the supply, there's also the Union of Soviet Socialist Republics.

What do the Soviets have to do with cashews? They bought up all the surplus cashews controlled by Indian traders last September. The Soviets do a considerable amount of trading with India, and as a result

have plenty of rupees lying around.

"The Russians buy without regard to pricing," says one importer, who does. "It makes no difference to them, and that's what happened this year. The United States and the Europeans aren't taking as much because of the price."

Current dock-side price for a pound of standard 320-count fancy whole cashews is about \$2.70, up from about \$1.80 a year ago. Shipping costs add another 10¢ or so to that. Tack on processing costs, and the retails are about \$4.25 for 12-oz. tins, with little relief expected.

Assorted others: The story on filberts is not as exotic, but the pricing is. Present prices are at all-time highs due to tight supplies: Wholesale price per pound has increased about \$1 over last year, and this will keep pressure on the mixed nut package prices.

There is some relief in Brazil nuts. A large carryover and good crop year combined to bring prices into line. But the Brazilian Government is asking for much higher prices on the new crop, despite the supply situation. Some traders are skeptical they will get them.

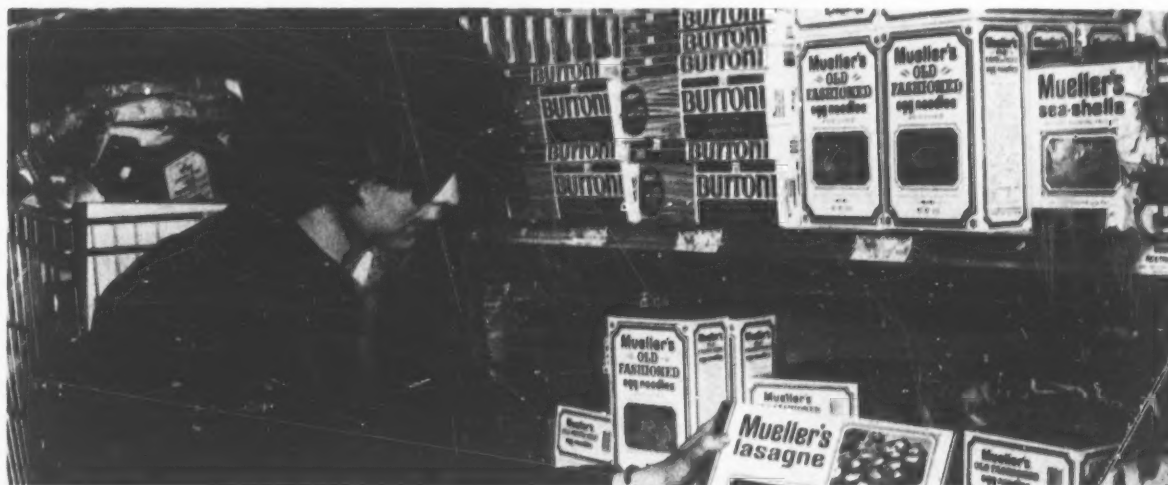
On the home front, pecan farmers have done their best to frustrate inflation. Although the crop year is near its end, there are still plenty of pecans available, and prospects for the harvest are good. Some spot shortages of large-sized halves do exist but pieces are abundant. □

Unit Movement

The following chart shows each nut category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Packaged Nuts Regular	207	58.81
Peanuts	63	17.90
Walnuts	46	13.07
Mixed Nuts	34	9.66
Pecans	24	6.82
Cashews	22	6.25
Almonds	18	5.11
Loose Bulk Nuts	0	0.00
Dry Roasted Nuts	95	28.99
Peanuts	67	19.03
Cashews	6	1.70
Almonds	11	3.13
All Other Dry Roasted Nuts	11	3.13
All Other Packaged Nuts	50	14.20
Total	352	100.00

PASTA PRODUCTS



Marginal gains an unexpected twist

In spite of the old adage that pasta performance goes up as the economy goes down, pasta posted only marginal real gains last year—although, say the experts, the picture should brighten somewhat in 1980.

Pasta producers and retailers had hoped the ailing economy would spur sales of the wheat-based staple last year as consumers retrenched from higher-priced foods such as beef. But the final figures proved them wrong. Although sales rose respectably, slightly more than 20% over 1978, tonnage inched ahead, rising barely 3% in many cases.

Pasta pros cite two reasons for the poorer-than-anticipated showing. First, an increase in the cost of raw materials resulted in higher prices on the supermarket shelves. At the same time, plentiful potato, rice and bean crops dropped shelf prices on those staples, apparently drawing economy-minded shoppers away from macaroni items. When pasta is priced at 75 cents a pound, rice at 45 cents a pound, beans at 40 cents and potatoes at 10 cents, says an Illinois retailer, what else is a consumer likely to do?

"We're kidding ourselves if we blindly stick to the old axiom that we're depression-proof," adds a regional pasta manufacturer. "You raise prices 60 cents and you're going to lose."

But, he and others contend,

there's enough truth to the "depression-proof" saying to raise some hope for next year, when the nation's economy will be as bad or worse. And, they add, there are several other factors that point to stronger performance.

Prime among them is the emerging awareness that pasta, despite its traditional reputation as a fattening food, is indeed a nutritious one. United States Sen. George McGovern's Senate Nutrition Subcommittee and other governmental groups now call for a recommended diet containing less meat and more of what they term "complex carbohydrates." Pasta, as a complex carbohydrate, fits right in.

At the same time, pasta is gaining in popularity as a party food, a versatile meal ingredient that is

part and parcel of the gourmet cook's bag of tricks. (In fact, in larger cities like New York and San Francisco, there is even a resurgence of specialty shops that make and sell fresh, "wet" pasta.)

For instance, says Lester Thurston, president of the country's No. 1 pasta producer, Foremost-McKesson's C. F. Mueller Co., "Lasagne has been one of the—if not the—fastest-growing items in the lines of most pasta manufacturers for the past few years. It, and new specialties like jumbo and manicotti, have found a market in areas where they were not found at all a few years ago."

Both the new-found popularity and the increasing reputation as a healthful food provide legs to support new pasta pushes. One tried

Incidence of Purchase (per 1,000 POS transactions)		
Spaghetti	Unit sales	Dollar sales
1979	23	\$26.37
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+13	+19
Source: TRIM Inc.		

PASTA PRODUCTS

this spring by the Prince Macaroni Co. of Lowell, Mass., is tied in with a new-product introduction; Prince has come out again with Superoni, a soy-enriched line it tried two years ago and that early reports say is doing well this time. Another firm is pushing a line it says contains 10% fewer calories than standard pasta. And the advertising mileage that can be made out of standard pasta's nutritional content has not been lost on manufacturers.

Going national: A basic change in the organization of the pasta-producing sector also may bode well for the category's future, some say. Traditionally, pasta was made by small, regional firms, usually family-owned. There still is no truly national manufacturer. But within the last five years, large national corporations have caught acquisition fever—and now five own a large

chunk of the macaroni market. Besides Foremost-McKesson, which bought Mueller about four years ago, they are Hershey (San Giorgio Macaroni), Pillsbury (American Beauty Macaroni), Borden (Creamette) and the English firm, Ranks

Ailing economy fails to increase movement as shoppers go for cheaper substitutes

Hovis McDougall Ltd.

Opinions vary, but a prevailing prediction is that the large firms will inject the pasta market with the heavy doses of capital, marketing savvy and mass-merchandising creativity that many smaller com-

panies were unable to afford.

Smaller regional companies remain strong, however. Two in particular, Prince in the Northeast and California-based Golden Grain on the West Coast, are holding well against forays into their turf by large firms.

The jury still is out on generic pasta; its success in some markets has been offset by poor sales in others. Meanwhile, Oriental-style "instant" noodle products have had their greatest impact not on pasta, but on the dry soup and instant dinner markets. Manufacturers like Nissin (Cup o' Noodles) admit they prefer their products to be stocked in the dry soup section. And pasta producers point out that Oriental-style noodles are merely wheat and water fried, in fact, not traditional enriched noodles made according to strict Government standards. □

Pasta Products: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Macaroni Dinners	18.34	\$148.83	\$120.12	23.90	16.35	\$ 29.50	8	19.8
With Cheese	14.48	117.50	81.48	44.21	12.37	22.33	7	19.0
All Other Macaroni Dinners	3.86	31.33	38.64	- 18.91	3.98	7.18	1	22.9
Noodle Dinners	6.94	56.39	54.88	2.79	7.58	13.67	17	24.2
With Meat	0.96	7.83	9.32	- 15.98	1.09	1.97	3	25.1
All Other Noodle Dinners	5.98	48.56	45.54	6.63	6.49	11.70	14	24.1
Spaghetti Dinners	3.28	26.64	21.58	23.45	3.30	5.97	3	22.4
With Meat	1.93	15.67	13.80	13.55	1.82	3.29	1	21.0
All Other Spaghetti Dinners	1.35	10.97	7.78	41.00	1.48	2.68	2	24.4
Noodle Mixes	0.77	6.27	4.14	51.45	0.87	1.57	3	25.0
Macaroni	22.20	180.16	144.90	24.33	22.40	40.42	29	22.4
Elbow	9.07	73.63	62.10	18.57	9.06	16.35	10	22.2
All Other Macaroni	13.13	106.53	82.80	28.66	13.34	24.08	19	22.6
Noodles	14.87	120.83	97.98	23.12	15.45	27.86	22	23.1
Flat	11.39	92.43	75.90	21.78	12.35	22.28	17	24.1
All Other Noodles	3.48	28.20	22.08	27.72	3.10	5.58	5	19.8
Spaghetti	22.20	180.16	141.51	27.31	21.37	38.56	20	21.4
Regular	15.64	126.90	113.16	12.14	15.61	28.17	14	22.2
All Other Spaghetti	6.56	53.26	28.35	87.87	5.76	10.39	6	19.5
Pizza Mix	3.48	28.20	23.46	20.20	3.89	6.66	7	23.5
One-Pot Dinners to Which Fresh Meat/Fish Is Added	5.22	42.30	41.40	2.17	6.01	10.85	9	25.7
With Noodles or Macaroni	2.32	18.80	17.94	4.79	2.56	4.63	4	24.6
With Rice	0.39	3.13	1.38	126.81	0.45	0.81	1	25.8
All Other One-Pot Dinners With Meat/Fish Added	2.51	20.37	22.08	- 7.73	3.00	5.42	4	26.6
Noodles With Sauce Mixes	1.54	12.53	9.66	29.71	1.83	3.30	3	25.3
All Other Pasta Dinners	1.16	9.40	5.52	70.29	1.15	2.07	1	22.0
Total	100.00	\$811.51	\$667.69	21.50	100.00	\$180.41	122	22.2
% of total store volume . . . 0.52%								

Sales rebirth on the horizon?

The birthrate fell. Consumers' ire ran high. Doctors added their own two cents' worth. The result: Sales of baby food in the supermarket spiraled downward during most of the 1970's. But conditions in the category stabilized by the end of the decade, and officials of the big three baby food manufacturers are heaving sighs of relief.

Dollar volume in 1979 hit \$703.92 million, up 11.37% from 1978. Although growth was not spectacular, the overall increase, when viewed with hefty gains in products geared to younger infants, combined to make executives hopeful that the 1980's will see even greater gains.

The 1970's were not happy years for the baby food category. For one thing, there was a surprisingly strong trend to home preparation of baby food. Controversy over salt and sugar levels in commercial products fueled this movement, leading many concerned mothers to use their new food processors to make a homemade version of what their mothers once bought from Gerber, Beech-Nut and Heinz.

While Gerber estimates that 8%-10% of all mothers make their own baby food, this percentage is likely to stay put—or even decrease—in the next few years. Major manufacturers have responded to consumer concern by discontinuing the use of added salt and considerably reducing added sugar. Indeed, Beech-Nut now proudly states that there is “no salt or sugar in any jar of Beech-Nut.” Thus, nutrition and health-conscious mothers can now feel more secure about feeding their children store-bought baby food.

Additionally, recent U.S.D.A. figures show that home-prepared foods actually cost more than those produced by Gerber, Heinz and Beech-Nut. With the economy causing increasing worry, price-conscious consumers may think twice about home preparation.

Medical advice: The most serious problems faced by the industry are caused by new theories of baby feeding embraced by pediatricians in the last few years. Baby food manufacturers found themselves caught in a squeeze play as



many doctors began delaying the introduction of solid food into baby diets—and advocating earlier use of table foods. This has been a major cause of sluggish sales, with consumption-per-baby down about 3% in the last year, according to one major manufacturer. But there is some hope of a pendulum swing on these figures in the near future.

Gerber, for one, sees definite movement away from medical recommendations for later introduction of solid food for babies. Pediatricians, says a Gerber spokesman, are now considering a variety of factors when evaluating diet, such as height, weight, hunger and even psychological need. This

should lead to a broader range of age introductions.

Better news: Of course, all the news wasn't bad in the 70's. Juice sales skyrocketed after the switch to glass bottles, and the category is still showing impressive gains. Juice sales logged a healthy increase of 25.26% in 1979. Anxious to keep sales booming, manufacturers are not sitting on their laurels. For instance, Heinz has introduced large-size juices into some markets, hoping to combine the appeal of glass with the current consumer move toward jumbo packaging.

There's been a good deal of interest in yogurt-based baby foods in recent years, tying in with the

BABY FOODS

yogurt boom among young adults who are now raising their own families. But introduction of yogurt products has not been as quick or extensive as had been predicted. Beech-Nut, which calls itself "by far the most successful" with yogurt-based items, still sees sales as only "fair." And Heinz cautiously reports that they're "still evaluating" the results of their test-marketing in the Midwest.

Market shares have changed only slightly, with industry giant Gerber edging up to an impressive 70% share. Beech-Nut is responsible for 14% of sales.

Pediatricians' advice may have hurt baby food manufacturers, but formula producers have benefited from the new medical viewpoint. Ross Laboratories, which dominates the field with a market share of about 60%, saw tonnage rise 15%

last year. A spokesman for the company attributes that growth to the length of time babies are now on formula, noting that the effect is the same as if the birthrate had tripled.

Ross sees a strong trend to powdered formula and notes that their Similac with Iron is doing particularly well, reflecting heavy interest in products containing iron.

Supermarkets do outstanding business with formula and are responsible for a whopping 75% of all formula sales. One reason for the constant growth in supers is the major headway reported in getting more space for the product, particularly for case lots. Fifty per cent of mothers buy by the case, and studies show that an additional 15% would prefer to do so.

Brands at war: The big baby food news in 1980 may just be a brand war. Beech-Nut, long an innovator

in the field—the company declares that "every product change has been initiated by Beech-Nut"—was purchased by Nestlé in November. The increased clout should give the company, plagued by poor distribution in the past, the resources to mount a real challenge to industry leader Gerber. Beech-Nut has shown it's not afraid to stand up to the Goliath by specifically naming Gerber as guilty of adding sugar to its products in recent television commercials.

The gradual but significant increase in births is cause for optimism. There are already positive signs for the industry as a result of the well-over-100,000 additional births expected this year: Cereal, a starter food, is showing an even more healthy increase in sales. In time, this should be reflected in other categories as well. □

Baby Foods: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit (Millions)	Items/Brands/Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dinners, Hi-Protein	1.95	\$ 13.70	\$ 15.18	- 9.74	2.42	\$ 2.28	6	16.7
Strained	0.84	5.90	5.52	6.88	0.96	0.90	3	15.3
Junior	1.11	7.80	9.66	-19.24	1.46	1.38	3	17.7
Cereal Combinations	2.01	14.10	12.42	13.53	1.84	1.74	7	12.3
Strained	1.34	9.40	8.28	13.53	1.22	1.15	4	12.2
Junior	0.67	4.70	4.14	13.53	0.62	0.59	3	12.5
Dinners, Regular	8.46	59.54	53.82	10.63	8.75	8.25	36	13.9
Strained	3.56	25.07	24.84	0.93	3.78	3.56	17	14.2
Junior	4.90	34.47	28.98	18.94	4.97	4.69	19	13.6
Meats	6.68	47.00	48.30	- 2.68	7.83	7.38	13	15.7
Strained	4.01	28.20	27.60	2.17	4.70	4.43	7	15.7
Junior	2.67	18.80	20.70	- 9.17	3.13	2.95	6	15.7
Desserts	6.68	47.00	46.92	0.17	6.95	6.55	26	13.9
Strained	4.01	28.20	27.60	2.17	4.34	4.09	17	14.5
Junior	2.67	18.80	19.32	- 2.68	2.61	2.46	9	13.1
Soups	0.26	1.81	1.38	31.16	0.37	0.35	1	19.1
Strained	0.26	1.81	1.38	31.16	0.37	0.35	1	19.1
Vegetables	5.79	40.73	37.26	9.31	5.79	5.48	21	13.4
Strained	4.45	31.33	28.98	8.11	4.45	4.20	16	13.4
Junior	1.34	9.40	8.28	13.53	1.34	1.26	5	13.4
Fruits	9.79	68.93	59.34	16.16	9.89	9.32	30	13.5
Strained	6.01	42.30	35.88	17.89	6.33	5.96	18	14.1
Junior	3.78	26.63	23.46	13.51	3.56	3.36	12	12.6
Juices	7.12	60.13	40.02	25.26	7.23	6.82	15	13.6
Cereal (Dry)	3.12	21.93	19.32	13.61	4.00	3.77	11	17.2
Biscuits, Cookies, etc.	0.44	3.13	4.14	-24.39	0.67	0.54	3	20.3
Formula	47.26	332.79	291.20	14.29	43.77	41.27	23	12.4
All Other Baby Foods	0.44	3.13	2.76	13.41	0.49	0.47	1	14.9
Total	100.00	\$703.92	\$632.06	11.27	100.00	\$94.28	193	13.4

% of total store volume . . . 0.45%

Supplies, price beach tuna sales

If sales of canned tuna are off a bit this year—and they are—don't be surprised. The canners aren't. Last year was unique as consumers went through tuna faster than tuna go through a school of bait fish.

The category registered a lusty 17.65% sales increase in 1979 on a tonnage increase of about 4%.

Consumers stayed with tuna, despite higher prices, because the bill for beef shot up about 20% last year, and pork and poultry could not offer much more relief.

But going into the first quarter of 1980, both poultry and pork production reached peak cycles, which resulted in unusually low prices and lured away some of the tuna market. The price problem was compounded by the fact that tuna fishermen had so-so luck in the catching department earlier this year while the canners were catching hell in the economic department.

"Typically, the canneries have held good-size inventories to guard against the day the boats don't come in," explains Pat Rose of Chicken of the Sea, a division of Ralston Purina. "But with the high price of money, the carrying costs are just too high to keep a big inventory."

The inventory picture is changing. More recently, fishing has improved "substantially," according to Stuart Lay of Castle & Cooke's Bumble Bee brand.

Unfortunately, prices for raw fish are still high. Not surprisingly, the biggest factor here is the high price



of production. It costs about \$10 million for a tuna boat before it even hits the water. Once it does, the boat fills up with 200,000 gallons of diesel fuel, the price of which has increased about 80% over the last

year. Then it goes fishing; and that, too, is getting more complicated.

This month the Government will decide on newly proposed tuna fishing regulations concerning the number of porpoises the tunamen are allowed to kill in netting tuna. (The tuna boats follow the porpoises, which feed on tuna.)

Negotiations are also in process with the Government of Mexico and other Latin American countries to increase access to tropical eastern Pacific waters, which are prime tuna grounds.

But regulatory problems may be the least of the industry's concerns. Once again the price of petroleum looms as a threat to certain sensitive segments of the market. Any significant increase in the price of fuel will eventually find its way to the price of tuna. When fuel prices

Incidence of Purchase (per 1,000 POS transactions)		
Tuna	Unit sales	Dollar sales
1979	81	\$80.36
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+8	+10
Source: TRIM Inc.		

CANNED FISH

become totally decontrolled, such an increase may be inevitable.

On the plus side, pork and poultry production will drop in the third quarter, and prices for those commodities will rise in proportion. That should help firm up the tuna market. "Looking past September," says Rose, "I see the industry moving back to its traditional growth rate of about 3½% per year."

Within the category itself, the real growth story continues to be water pack. In both white and light varieties, water pack is grabbing an increasing share of the market. Through the first quarter, water pack has increased to 63.2% of white meat tuna sales from 59%. In light meat, water pack now represents 32.3% of the business, up from 25% a year ago.

"I think it represents the consumer's interest in more natural products," says Lay, "plus the fact that consumers are more weight-conscious and water pack has fewer calories than oil pack."

Salmon: If any fish product can swim upstream against inflation's tide this year it will be salmon. The salmon fishing season has all the indications of a blockbuster, according to spokesmen at the Alaska De-

partment of Fish and Game.

Fishery officials indicate that the red salmon pack could be the largest in recent history. Last year the harvest for red sockeye salmon was slightly over a million cases. This year the harvest could be as high as 2.4 million.

Combined with an expected harvest of pink salmon of 1.7 million—down slightly—and of 300,000 chum and other varieties, the total harvest could be in the range of 4.5 million cases. That would have the canneries running at full capacity.

"Red salmon could probably be one of the best consumer values of the year," says Lee Patton of Castle & Cooke. "It should be a highly promotable item." In fact, prices may decline because increased productivity, lower prices for raw materials, and a slackening export market should offset increased production costs.

Until last year, the export market, principally Japan, forced the price of salmon higher and higher, in some cases breaking the \$3 a pound barrier. That market collapsed last year because of an abundant supply situation, but not before generating a 20% increase in sales to almost \$278 million for all

varieties in the category.

This year, prices for salmon are still below year-ago levels. If there is any problem in the industry, it may be in the supply of the smaller 6-oz. cans of red salmon. With the anticipated volume of reds, the canneries will be under pressure to pack volume, which means primarily the 15-oz. or 15½-oz. can.

Crabmeat: The export market also had a dramatic impact on Alaskan king crab. Because of a record harvest in 1978, a large carryover into the critical Japanese market depressed prices significantly.

As a result, canners dumped their 1979 supply on the American market with a similar result: Prices for king crab plummeted and are still below last year according to the National Fisheries Institute. Dollar sales of king crab dived 27.72% last year, but that number must be tempered by the fact that the year before, sales increased 38.53%.

Supply-demand cycles were more in line for other varieties of crab—snow crab and dungeness, for instance—and volume shot up 28.65% to \$26.63 million. Margins increased slightly.

Sardines: Norway's booming economy became the chief villain in

Canned Fish: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Tuna	70.21	\$1,193.36	\$1,014.30	17.65	58.14	\$164.17	33	13.8
Light	42.10	715.54	622.38	14.97	37.25	105.18	17	14.7
White	26.73	454.32	373.98	21.48	19.31	54.52	12	12.0
Specialties	1.38	23.50	17.94	30.99	1.58	4.47	4	19.0
Salmon	16.36	278.13	232.20	19.78	22.16	62.58	10	22.5
Sardines	3.41	57.96	59.53	- 2.63	5.23	14.78	11	25.5
Anchovies	0.46	7.83	6.90	13.48	0.60	2.26	2	28.9
Herring & Kippers	0.37	6.27	4.14	51.45	0.53	1.63	1	26.0
Mackerel	0.46	7.83	8.28	- 5.42	0.72	2.02	1	25.8
Crab	2.22	37.60	35.88	4.79	3.05	8.60	4	22.9
King	0.65	10.97	15.18	-27.72	0.91	2.56	1	23.3
All Other Crab Products	1.57	26.63	20.70	28.65	2.14	6.05	3	22.7
Shrimp	2.49	42.30	42.78	- 1.11	3.30	9.31	5	22.0
Clams	2.21	37.80	33.12	13.83	3.29	9.29	4	24.7
Oysters	1.07	18.20	15.18	19.89	1.75	4.98	6	27.2
Wet Pack	0.66	11.23	9.66	16.25	1.16	3.28	5	29.2
All Other Oysters	0.41	6.97	5.52	26.27	0.59	1.68	1	24.1
All Other Canned Fish	0.74	12.53	12.42	0.89	0.98	2.77	3	22.1
Total	100.00	\$1,699.61	\$1,464.73	16.04	100.00	\$282.36	66	16.6
% of total store volume . . . 1.08%								

CANNED FISH

the sardine market last year. The American dollar took a beating from the oil-rich Norwegian Kröner in exchange rates in 1979, forcing substantial increases in sardine prices.

A spokesman for the Norwegian sardine industry says that following the last round of increases, in April, prices should stabilize for the rest of the year. The Norwegian Government has also stepped in and is working with the industry to increase canning productivity and hold down future increases.

The pendulum should swing back in tuna's favor as pork, poultry prices rise

Sales of sardines remain off slightly this year following 1978's 2.63% decline. Industry officials are content with those sales, however, because they suffered severe setbacks during the last economic turnaround in 1974.

"The major problem with sardines," says one importer, "is creating a demand with younger consumers. The demand for sardines is with the older group."

On the domestic side, Maine canners are eagerly waiting the catch from the sardine run, which began late last month. Last year the American catch was one of the largest in 20 years, says James Warren of the Maine Sardine Council.

The higher cost of imported sardines may make the American variety an attractive buy this year, says Warren. Prices for American sardines are currently running 20¢-40¢ below the imports.

Single-layer silts remain the top seller in the sardine line, and oil the most popular pack. But like tuna, water pack is making major gains, particularly in the New England area.

There isn't any problem with selling anchovies. The problem is finding them. Anchovies have been playing hide and seek with fishermen for the last two years, and that shortfall has sent prices up.

But unlike sardines, there is enough demand to meet the price, so sales of anchovies jumped 13.48%, falling just short of \$8 million. Margins increased an average 2% to 28.95%.

The shortage of anchovies also

helped sales of kippers and herrings to an inordinate 51.46% increase. Supplies from Iceland and particularly Canada are adequate, and that situation should remain stable for the rest of the year.

Shrimp: Inflation has probably hit the shrimp industry harder than any of the major fisheries. "They are in trouble from the demand side, and they are in trouble from the costs side," says an analyst from the National Fisheries Service.

On the demand side, decreasing disposable income has made shrimp a luxury that many consumers are forced to pass by, although the price has decreased almost 20% at wholesale. Unfortunately, shrimp remains an expensive item, and it will stay that way because fuel prices, which now account for 30%-50% of the industry's operating cost, have nowhere to go but up.

The numbers clearly reflect the story. Last year shrimp sales in supermarkets declined 1.11%, despite higher prices. The prospects now are such that more than 80% of the shrimp fleet is tied up at the docks, according to the NFS. The major shrimp harvest runs from May through October, and whether the majority of the fleet goes out is largely a function of whether economic conditions improve enough to

make it worth their efforts.

Oysters: The domestic canned oyster market relies chiefly on Korea and Japan for its supplies. Last year supplies tailed off at the end of the year, but demand did not.

As a consequence, sales volume increased almost 20% last year. Much of the volume boost can be attributed to the growing year-round demand for both smoked and whole oysters. Always a good seller during the Thanksgiving-Christmas period, the increased use of oysters as a gourmet item has spread demand over more of the year.

Last year the canneries got caught short, due in part to the closing of some Japanese processors because of pollution laws. It's too early to tell what supplies will be this year, although the small portion of domestically supplied oysters should be stable.

Clams: Government quotas on surf clam production have kept supplies on an even keel over the last two years, and this year will not be any different. As a result, unless there is a significant increase in demand, inflation should force prices up at least 10%. Most of last year's 13.53% increase was eaten away by the economy, although margins increased slightly. □

Unit Movement

The following chart shows each canned fish category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Tuna	996	78.11
Light	639	50.11
White	335	26.27
Specialties	22	1.73
Salmon	65	5.10
Sardines	74	5.80
Anchovies	9	0.71
Herring & Kippers	8	0.63
Mackerel	14	1.10
Crab	12	0.94
King	1	0.08
All Other Crab Products	11	0.86
Shrimp	24	1.88
Clams	30	2.35
Oysters	24	1.89
Wet Pack	15	1.18
All Other Oysters	9	0.71
All Other Canned Fish	19	1.49
Total	1,275	100.00

DRIED FRUITS & VEGETABLES



Raisins, rice ride nutrition wave

Q uick, name something that was cheaper last year than the year before.

The answer is raisins, possibly the only commodity that showed a significant price decrease from 1978. Mother Nature was kind to California growers in 1979, following a year in which 60% of the crop was washed away by heavy rains.

Supplies increased 38% in 1979 to 2.3 million tons, sending prices back under the \$2 per pound mark, and consumers responded in kind: Sales records were broken almost every month, according to the California Raisin Advisory Board, and demand continues to be "terrific."

Sales in supers topped \$200 million last year, a 20% improvement over 1978, making raisins the biggest gainer in the dried fruit category. "Consumers have returned to buying raisins," says Mark Bagley

of RJR Foods' DelMonte Co.

In addition to the supply situation, growing consumer preference for raisins as a snack food (in place of refined sugar-based foods), the increasing price of sugar, and consumers' rapidly developing nutritional awareness have spurred raisins' growth. Also riding high on

America's nutritional kick are dried cut fruits. "They probably have one of the highest levels of consumer acceptance in terms of nutrition," says Bagley.

Long the favorite of backpackers and outdoorsmen, the category is finding a larger, less specialized audience. But high prices, due to the

Incidence of Purchase (per 1,000 POS transactions)		
Dried fruits	Unit sales	Dollar sales
1979	28	\$26.44
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+17	+8
Source: TRIM Inc.		

DRIED FRUITS & VEGETABLES

Dried Fruit: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Raisins	65.98	\$200.49	\$166.98	20.07	65.48	\$51.13	11	25.5
Prunes	18.56	56.40	52.44	7.55	16.78	13.10	9	23.2
Regular	10.31	31.33	28.98	8.11	9.43	7.36	6	23.5
Pitted & Other	8.25	25.07	23.46	6.86	7.35	5.74	3	22.9
Apricots	4.12	12.53	11.04	13.50	4.19	3.27	2	26.1
Dates	5.67	17.23	16.56	4.05	6.62	5.17	5	30.0
All Other Dried Fruits	5.67	17.23	16.56	4.05	6.93	5.41	8	31.4
Total	100.00	\$303.88	\$263.58	15.29	100.00	\$78.08	35	25.7
% of total store volume . . . 0.18%								

labor-intensive drying process, have kept overall growth in check. That balance is beginning to tip, say the processors, as inflation is forcing prices up for other snacks at a higher rate than dried fruit.

Supplies of all cut fruit commodities are ample, although processing costs have increased about 10%, says an industry spokesman. The increases will be passed along to the consumer.

Prunes, too, should be gaining ground this year. The 1979 crop came in a bit on the short side, but the supply situation will change for the up side later this summer. Retailers will be helped by a major advertising campaign planned by the California Prune Advisory Board, which has not run a campaign in several years.

Packers say that pitted prunes, particularly those marketed in cello-pack, currently are showing the biggest gains.

Dates face a tighter supply situation for both domestic and international reasons. Domestically, planted acreage is down, having given way to development, thus reducing the domestic crop. Internationally, imports from Iran and Iraq, the two principle sources, have plummeted.

At the same time, demand for dates is on the upswing, according to a spokesman for Calavo. "It's being recognized as a natural snack, as a surrogate for candy," the spokesman said, "and it's also a good gourmet item."

The result will undoubtedly be higher prices, depending on the crop yield later in the fall. In any

case, imports from Iran will be zero.

Rice is going wild: That's because consumers are just mad about that particular variety, sales of which are growing yearly at a 14% clip. In fact, over the last five years, the entire category has grown at an astonishing 37%, with Golden Grain's Rice a Roni jumping 63%, according to industry sources.

Part of the reason is that the industry has continued to expand the market line yearly. Uncle Ben's, for instance, added a new line of flavored rice dishes, and Golden Grain will soon add to its extensive offerings. In the wild rice category, which used to be Uncle Ben's alone, several national brands have jumped into the market.

The numbers reflect increasing interest in one of the world's great staples, with increases in every cat-

egory except regular. The growing competition in the wild rice market, however, sent margins plummeting, on average, from 31.1 to 23.3%. Margins on other varieties increased or held steady.

Manufacturers agree that rice dishes, particularly specialty side dishes, benefited from the high price of beef, and will continue to do so.

Most manufacturers are predicting steady growth for their products for the rest of the year, particularly if pork and poultry prices rise as their production falls. As for the rice supply, export demand has been fairly heavy, according to rice traders. But a good crop year should keep the domestic side in proper proportions, although prices will remain firm throughout the year.

The situation in instant potatoes

Unit Movement

The following chart shows each dried fruit category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Raisins	96	62.42
Prunes	32	20.38
Regular	18	11.46
Pitted & Other	14	8.92
Apricots	4	2.55
Dates	10	6.37
All Other Dried Fruits	13	8.28
Total	157	100.00

DRIED FRUITS & VEGETABLES

Unit Movement

The following chart shows each dried vegetable category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Rice & Rice Dishes	342	57.77
Regular	132	22.29
Instant	58	9.80
Brown	28	4.73
Flavored	122	20.61
Wild Rice	2	0.34
Instant Potatoes	103	17.40
Mashed	50	8.45
All Other Instant Potatoes	53	8.95
Beans	92	15.54
Peas	28	4.73
Lentils	8	1.35
All Other Dried Vegetables	19	3.21
Total	592	100.00

is similar. While the plain varieties of spuds have shown static movement, jazzed-up varieties have shown enough strength to fill in the gaps. Plentiful supplies of fresh potatoes have also exerted a downward influence on dehydrated mashed potatoes.

"Specialties have enjoyed an unusual growth over the last four or five years, and I don't think there's

any question that we'll continue to see growth in that market," says a spokesman for General Mills. As usual, that company has another specialty potato product in test markets now.

Most of the action for dried beans last year was south of the border. Sales to Mexico last year encouraged growers to increase planted acreage about 21% this year, ac-

cording to the U.S. Department of Agriculture, and the Mexicans have already contracted for 250,000 metric tons for delivery in September through December.

Domestic demand has been "fair to good," and firm price levels, due to the exports, should help that category beyond the 7.84% increase registered last year. In some regions that number will be substantially higher, reflecting ethnic tastes.

Dry peas and lentils showed significant sales increases in 1979—27.72 and 13.59 respectively—but for different reasons. Production of dry edible peas was down 43% last year according to U.S.D.A., which forced pea prices up.

Result: Export demand for the product dropped 35% as poorer countries apparently were unable to afford the price. The domestic market was able to absorb those high prices more easily, and although the 1978 crop was 43% larger than the 1979 crop, the drop in domestic demand was only 3.5%.

The story on lentils is just the opposite. The crop last year was a record high, says U.S.D.A., but much of that crop will be absorbed on the export market. As a result, domestic movement is down about 1% through April, but prices are running about \$15 more per hundredweight than a year ago, which should keep sales volume high. □

Dried Vegetables: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Rice & Rice Dishes	62.95	\$330.21	\$305.73	8.01	59.20	\$ 76.84	39	23.2
Regular	29.55	155.09	171.71	- 9.67	28.27	36.60	14	23.6
Instant	14.64	76.76	66.76	14.98	12.45	16.12	5	21.0
Brown	4.48	23.50	21.97	7.00	4.63	5.99	4	25.5
Flavored	10.44	54.73	49.06	11.56	10.15	13.14	15	24.0
Wild Rice	3.84	20.13	17.70	13.73	3.70	4.79	1	23.8
Instant Potatoes	19.12	100.26	97.98	2.33	20.00	25.90	20	25.8
Mashed	9.86	51.70	52.44	- 1.40	10.74	13.91	11	26.9
All Other Instant Potatoes	9.26	48.56	45.54	6.63	9.26	11.99	9	24.7
Beans	11.35	59.53	55.20	7.84	12.55	16.25	13	27.3
Peas	2.69	14.10	11.04	27.72	3.63	4.70	3	33.3
Lentils	1.20	6.27	5.52	13.59	1.38	1.78	1	28.4
All Other Dried Vegetables	2.69	14.10	12.42	13.53	3.24	4.19	2	29.7
Total	100.00	\$524.47	\$487.89	7.50	100.00	\$129.48	78	24.7
% of total store volume . . . 0.34%								

Crackers crumble cookie share

Polly, so the story goes, was never really offered that proverbial cracker; a sharp adman coined the phrase to add spark to the then slow-moving category. Whatever the truth, there's no doubt that the public, and the trade, are taking to crackers like a parrot to birdseed.

Sales of the crisp bakery product are currently burning up the track. Paced by a flock of new entries and encouraged by the consumer's growing preference for natural-style foods, cracker sales last year climbed more than 13% to just under \$1.5 billion. Moreover, the once-wide gap in department share between crackers and cookies narrowed even further, with crackers now holding nearly 44%.

But here's the real story: Just five years ago, crackers represented an anemic 4.3% of the category, its roughly \$50 million in sales undeniably pale compared to cookies' robust \$1.2 billion.

Only when one realizes that the 1979 dollar volume of crackers alone exceeds the total dollars rung up by the full category in '74 can its phenomenal surge be appreciated.

Nevertheless, looking at the figures in proper perspective, last year wasn't so spectacular. Cookies' primary market, the preteens, is maturing much more quickly than they're being replaced, accounting for the product's marginal growth. Fortunately, notes one manufacturer, the swelling ranks of 25- to 35-year-olds are displaying a strong preference for crackers. Still, the 12.5% dollar volume gain in '79 reflected, for the most part, higher retail prices, not tonnage growth, which edged up only slightly.

But talk to biscuit manufacturers, and the tone is definitely upbeat. Credit retailers for that. At a time when slow-moving products are being weeded out at a rapid pace, shelf space for crackers—and even cookies—is, on average, expanding.

"We see a super year for the category, despite increased costs due to normal price hikes," says a buyer for New York-based Tops Friendly food chain. "There's a stronger emphasis on promotion, and manufac-



turers are offering more allowances, particularly on new products."

What about the recession? More importantly, does proliferation justify an expanded selling area?

For one thing, past experience indicates that the category shows substantial gains when heavily promoted and the Big Three—Nabisco, Sunshine and Keebler—show no signs of curbing advertis-

ing expenditures through 1980. While cookies may be more vulnerable to soaring ingredient costs, crackers enjoy reasonably recession-proof status. "Besides," points out an industry analyst, "the consumer is beginning to realize that the days of cheap sugar [a key ingredient in cookies] are over."

Natural strategy: Sunshine, from all indications, outpaced the market leaders in '79 with a 3% ton-

COOKIES & CRACKERS

nage increase on sales of \$239 million, up 12% over the previous year. The third-largest biscuit maker's claim to fame, according to its parent company, American Brands, is its switchover to 100% vegetable shortening instead of preservatives. Sunshine launched an extensive promotional blitz expounding on the quality claim, effectively riding the crest of the "natural" wave.

Nabisco experienced modest real growth, but then, the leader in the field was coming off dynamic growth in the previous year. Keebler, rounding out the Big Three, is estimated to have also gained at a decelerated pace.

But last year is history and, half-way through '80, sales—and tonnage—are both in healthy shape despite the economic uncertainty. Unit volume of Nabisco's U.S. Biscuit division, for instance, rose nearly 1.5% in the first quarter, according to chairman and ceo Robert Schaeberle.

Roll out the crackers: Most new products and line extensions in '79 and '80 are crackers, particularly the popular snack-style varieties. For a while it appeared that, following a strong test, Nabisco's new peanut brittle and apple crisp cookies were going to buck the trend away from sugar-filled goodies, but the early signs proved somewhat misleading.

Thought to be strong candidates for national distribution, peanut brittle cookies are currently on hold, while apple crisp's rollout has been intermittent at best. Nabisco, though, remains confident its nut- and fruit-flavored cookies will take off. Its peanut butter fudge is making its way onto retail shelves on a division-by-division basis, for instance, and the conservative ap-

Incidence of Purchase (per 1,000 POS transactions)		
Cookies	Unit sales	Dollar sales
1979	81	\$82.57
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+8	+16
Source: TRIM Inc.		

proach is meeting with success.

Sunshine is test-marketing two new cookie products, Swiss-style grahams and Swiss-style short bread in the East and Midwest. Promotional support zeros in on the products' natural flavors with no preservatives.

But most of the action is in the cracker market, with most observers believing that this will be the primary source for incremental sales growth.

Capitalizing on the appeal of snack and party crackers, Nabisco added two more flavors last year, vegetable thins and sesame wheats, and now offers 16 varieties. Recently, Nabisco went national with Wheatsworth, a stone-ground cracker successfully introduced to half the country last October.

Making inroads in two burgeoning areas, cheese-style and Mexican-style, Sunshine is testing its Cheesano and Taco wafers on the West Coast. Ralston-Purina, which first marketed RyKrisp brand snack crackers at the turn of the century, is currently blanketing the market with a Sesame RyKrisp whole-grain rye cracker.

Costly and flimsy? Looming on the horizon are plans for extensive changes in the labeling requirements for food products, several of which directly affect the cookie and cracker industry.

Three requirements, proposed jointly by the F.D.A. and U.S.D.A., post the most harmful threats, according to Joe Creed of the Biscuit and Cracker Manufacturers' Assn. They are:

- Mandatory percentage labeling for significant ingredients.
- A statement that ingredients are listed in descending order of predominance.
- Foods containing 10% or more total fat on a dry weight basis declare the specific source of the fat or oil.

"That last one's practically impossible to follow," says Creed, "since the sources frequently fluctuate depending on prices."

The biscuit association, along with roughly 32 other trade groups, has sent a letter to the Government agencies contending that the proposed regs are, in effect, flimsy in theory and prohibitive in execution. □

Cookies & Crackers: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment Items/ Brands/ Sizes at Whse.	Margin Avg. Gross Margin (% of Retail)
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)		
Cookies/Crackers	100.00	\$3,345.43	\$2,975.02	12.45	100.00	\$865.30	81	25.9
Cookies	56.19	1,879.93	1,683.60	11.86	62.57	541.42	64	28.8
Crackers	43.81	1,465.50	1,291.42	13.48	37.43	323.88	17	22.1
Total	100.00	\$3,345.43	\$2,975.02	12.45	100.00	\$865.30	81	25.9
% of total store volume . . . 2.13%								



Beer war brews as sales slow down

Industry analysts are predicting that beer will reign as America's second-most-popular beverage by 1990. Currently in fourth place among major drink categories, beer is expected to achieve a rise in per capita consumption to 27.6 gal. by the dawn of the new decade, compared to today's average of 23.2 gal. per person. This should push brew past both milk and coffee, now rated second and third, respectively, on the nation's list of favorites. (It is expected that the soft drink category will top the list, with each American gulping down 50.1 gal. of the fizzy stuff each year.)

Of course, 1990 still lies well in the future. Unfortunately, supermarket sales performance of beer leaves a great deal to be desired in the here and now. In fact, real gains have decreased perceptibly in the late 1970's after some good growth during the first half of that decade.

Although supermarket dollar

volume for beer rose a little more than 8% in 1979, increasing sales of this important beverage category to nearly \$4.3 billion, higher retail prices across the board represent more than half of this gain. The wholesale price of beer increased 10% last year, with a further rise of 10%-12% on tap for 1980.

There are two main reasons for the price hikes: increased cost of raw materials and packaging, and a need to generate more dollars for use in stepped-up promotional.

Locked in a pressure-packed free-for-all to capture and hold share in today's slow-growth market, both against each other and a host of high-flying import brands, the nation's seven largest brewers—Anheuser-Busch, Coors, G. Heileman, Miller, Olympia, Pabst and Schlitz—spent an almost unbelievable \$275.2 million to support their products in 1979. This 21% jump, coming hard on the heels of the 34% rise in ad spending in 1978,

has added more than \$100 million to the promotional budgets of the seven biggest suppliers in just two years.

The leading spender, at \$91.5 million, is Anheuser-Busch. The St. Louis-based industry leader spent \$29.5 million to back flagship brand Budweiser—and chunked out \$33.2 million to support Michelob.

Miller, the Philip Morris division that has vaulted into second place among brewers in recent years, spent the most after A-B, \$74.4 million. Schlitz ranked third at \$48.3 million, about 2.5 times the amount allotted by any of the others. If spending in this area offers any clue, Coors is certainly one brewer to watch. The Colorado company has followed its 103% boost in spending in 1978 with a further 85% hike last year. Since Coors is preparing to extend its trading area to eastern markets and is also launching its first superpremium, Herman Joseph's 1868, additional increases

BEER & WINE

in the supplier's ad and promotion budget are a good bet for 1980.

Why isn't the beer business generating sales increases comparable to those of the early 1970's? Some observers contend that industry compaction and torrid interbrand competition deserve most of the blame. The powerful national brewers have driven dozens, perhaps hundreds, of smaller rivals to the wall since World War II. The so-called "big five"—Anheuser-Busch, Miller, Schlitz, Pabst and Coors—have blended heavy brand support, aggressive marketing and low prices to virtually eliminate most regional and local labels. Today, the big five sell 76.1% of all domestic brew, and the top 10 suppliers market nearly 95% of United States output. The two biggest companies, Anheuser-Busch and Miller, now have nearly half of the entire market to themselves.

The shakeout has left room on the shelves for a flock of new brands offered by both American brewers and their overseas rivals. The low-calorie, superpremium and import brands, which have rapidly gained popularity, are now considered the segments with the best chance for future growth.

Imports explode: Although distribution outside major cities has often proven to be a problem, sales of foreign beers continue to mount. Heineken still ranks first among imports with a 40% share, with Molson, LaBatts, Carling O'Keefe, Beck's, Dos Equis and Carta Blanca also solidly established in the United States.

Among major domestic brewers also marketing foreign-made beers are Olympia (Grenzquell), Heileman (Beck's) and Anheuser-Busch (Wurzbacher Hofbrau). Import brands have jumped from a 2.1%

market share in 1978 to 2.6% last year, with more gains in sight.

Superpremiums pause: The breakneck pace of import sales expansion has halted gains in this relatively new subcategory, composed of domestically brewed beers intended to compete head to head with the newcomers from overseas. Still, the high return to the brewers and the shrinking price gap between superpremiums and other domestic beers promise a rebound this year. One thing is for sure—the segment's track record is impeccable: 167% sales growth since 1975.

Lowenbrau (Miller) and Michelob (Anheuser-Busch) are the brand leaders, but new rivals are rolling onto supermarket shelves from the other major brewers. Besides Coors' Herman Joseph's 1868, Schlitz has revived the Erlanger label, popular in the 1890's, for its superpremium, while Olympia is offering its Medallion in a unique faceted bottle designed to enhance the brand's quality image with consumers.

Light is all right: Miller may be losing the fight in the courts to protect its "Lite" name from infringement, but it is still winning the battle in the supermarket for sales.

Thanks to an 18% sales gain in 1979, Miller Lite has twice the volume of its nearest competitors, Anheuser-Busch's tandem of Michelob Light and Natural Light. A-B recently pulled off quite a promotional coup, however, by signing up celebrity endorsers who formerly pitched for Miller Lite. Whether this advantage can be translated into a shift in market share—as was the "Pepsi Challenge" campaign in the soft drink category—is yet to be determined.

Soft wines boom: There's no sign of slackening in Americans' new-

found love of wine. Supers presently hold 23% of the market, and would undoubtedly do even better if numerous states did not prevent food stores from selling wine and spirits.

Whites are still the main event, though the low alcohol-content "soft wines" are racking up solid sales for both domestic and foreign vintners. Reunite is the most popular import brand; Lambrusco is the best-selling type of import wine, with better than 20% of the market.

United Vintners, a subsidiary of Heublein, is so convinced that soft wines are the wave of the future that it is market-testing a three-

Major brewers are using ads, promos to capture and hold this flagging market

item line under the Lejon label. Backed by a media support program with the theme "Softness you can actually taste," United Vintners hopes to challenge similar items from Paul Masson and Almaden that have already established themselves as excellent sales performers.

The outlook for wine sales appears excellent. Present per capita consumption is 2.2 gal., but this could nearly double in the next 10 years. How much of this incremental business goes to supers may well depend on how well retailers do in getting those pesky laws stricken from the books over the next few years. Meanwhile, those supermarket-ers who are able to retail wine are gearing up for vigorous marketing in the next couple of years. □

Beer & Wine: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Beer	91.95	\$4,295.84	\$3,974.40	8.09	88.43	\$1,138.40	18	26.5
Wine	8.05	375.99	372.60	0.91	11.57	148.89	262	39.6
Total	100.00	\$4,671.83	\$4,347.00	7.47	100.00	\$1,287.29	280	27.6
% of total store volume . . . 2.98%								

White bread roll-out turns stale

A modest 8% increase in sales of commercially baked foods last year masked a relatively flat market that saw little growth in terms of unit movement.

A limited sampling by the American Bakers Association shows average national production last year down 2.5% from 1978—though an ABA spokesman was quick to say that the figure represents a temporary downturn on a line that has been climbing slowly for the past several years. Detailed figures vary from region to region, with 1979 production in the Western states on a par with the previous year's output; production in the Eastern states slightly ahead of 1978; and output in the Central and Southern regions down by 4% and 5%, respectively.

Why the lack of growth?

"I wonder myself," says a supermarket in Indiana. "It's pretty much the total category—consumers just don't seem to be spending quite as much as they were."

Observers say one key is the continued decline in popularity of white bread, which has slipped steadily since 1972. A variety of reasons for the downturn are listed, not the least of which is the "bum rap" industry officials say white bread has received from nutritional faddists. Other possible reasons include the rapid growth of the fast food industry and the decline in the school-age population, each of which is seen as curtailing the popularity of made-at-home sandwiches.

But the facts remain. In 1963, according to the Bureau of the Census, some 53% of the total 16.8 billion pounds of commercial baked products produced was taken up by white bread. By the end of 1977, white accounted for 40% of the total 17.9 billion pounds produced. White was still the largest single category, but its slippage was evident.

At the same time, however, manufacturers and retailers have experienced a surge in other categories. Variety breads like rye and fiber, and their cousins, specialty breads like French and Vienna, have made tremendous inroads into commercial shelf lines—and into



the shopping carts of ever-more nutrition-minded consumers.

"What used to be dominated by shelf after shelf of white bread is now virtually colored with an array of variety breads of all shapes, textures, tastes and structures," says Mark Sabo, marketing director for *Milling & Baking News*.

Sabo says today's consumer puts primary emphasis on two characteristics—natural and nutritional. If her requirements are met there,

she may not balk at the higher price tag attached to variety breads.

The trend toward varieties and specialties is evident throughout the country. According to Interstate Brands Corp., a Kansas City-based bakery leader, average supermarket bakery volume last year broke down as follows:

- White bread (brands): 25% to 32%.
- Variety breads: 27% to 34%.
- Specialty breads: 15% to 20%.

BAKERY FOODS

- Buns and dinner rolls: 15% to 20%.
- Croutons, crumbs and stuffing: 1% to 3%.

Meanwhile, manufacturers aren't sitting around and letting the woes of the marketplace swamp them. In fact, they're striking back in at least two directions.

One is new-product introductions, coupled with new pushes for existing products. An example is raisin bread; the Sun-Maid Growers of California, expanding from their traditional packaged raisins category, jumped into the bread business in a big way this year. Initial reports from the West Coast say consumer acceptance is strong, and the product is headed for wider distribution. At the same time, the California Raisin Advisory Board is pushing its product to bread makers and buyers nationwide. Other relatively new products, like Kings Hawaiian Bread, also are faring well, retailers say.

Manufacturers' other major thrust is heavy promotion of their products, particularly from a nutritional standpoint.

"We've had too much publicity that white bread is bad, and we need to tell people it's not," says a Midwestern bakery official. "We've had [nutritional value] for years, but we never told people."

One firm that mounted an all-out promotional push this spring is Campbell-Taggart Inc., the Dallas-based baker that's second only to ITT Continental in bread sales. Campbell-Taggart kicked off a multimillion dollar print and broadcast ad campaign that attempts to explain bread's health benefits.

In-store bakeries: Probably the strongest new factor in the bakery foods category is the sector of the business that turned in the most favorable performance last year. In-

store bakeries, written off barely a decade ago as cosmetic traffic draws rather than profit centers, continued to grow in number last year, a strong indication that their end of the market isn't hurting. Total number at year's end was about 13,000 units nationwide. Each contributed an average 4% of store sales, and, in some cases, 10% or more of store sales. Industry observers estimate that the in-store share of bakery food market dollars currently stands between 8% and 10%, and easily could reach 15% or more within the next five years. And, according to the Food Marketing Institute's latest figures for calendar 1978, more than 50% of new supermarkets contained an in-store

Tonnage dips slightly despite sales gain as slide continues in white bread use

bakery—including nearly all new stores that were larger than 32,500 sq. ft. Suppliers admit they've been warned of possible cutbacks due to the recession, but say they've seen no sign of a drop-off in business yet.

Frozen-dough bakeoff operations, with their lower capital outlay and reduced skilled labor needs, continue to be the most popular in terms of total units. Observers estimate bakeoffs account for nearly 60% of all in-store hot shops, and leading suppliers—Rich's of Buffalo, Country Home Bakers of Bridgeport, Conn., and the Weterau bakery products division—expect growth to continue. They're getting new competition, too. The massive Kroger Co., the country's second-largest supermarket chain,

plans to start work this year on a 145,000-sq.-ft. frozen dough plant in Bowling Green, Ky.

That's not to say that scratch or scratch-mix operators can be written off. They currently account for about 30% of the total number of bakeshops in the country (combination scratch/bakeoff account for the rest), and operators are as optimistic as their frozen dough colleagues.

Bakeshop operators say the major effect of the wobbly economy on their business so far has been some softening in sales of cakes and sweet goods. But, they add, breads—especially variety and specialty types—are selling strongly, and even doughnut and cookie sales have not appreciably slackened.

Oddly enough, good performance by in-store bakeries does not seem to come at the expense of supermarkets' commercial bakery foods departments. Although supermarket operators differ in their notions of whether to locate the two departments next to each other or as far apart as possible, the bottom line appears roughly the same.

Generics cause concern: Another relatively recent innovation, however, may hold more ominous possibilities for the rest of the bakery foods market. The trend toward generics has reached the bread category, and, while no one is certain just how heavy its impact will be, there is reason for concern, especially in the already-dwindling white bread category.

What does next year hold? Probably more of the same, manufacturers and retailers say. The decline of white bread probably won't stop. But, with increased promotion of bakery foods' nutritional quality, and with better capitalization on the appeal of other kinds of bread, that decline could be balanced by better performance elsewhere. □

Bakery Foods: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bakery Foods	100.00	\$5,712.12	\$5,285.40	8.07	100.00	\$1,153.85	0	20.2
Total	100.00	\$5,712.12	\$5,285.40	8.07	100.00	\$1,153.85	0	20.2

% of total store volume . . . 3.64%

'Light' carries a lot of weight



Ever since fruit found its way into cans, the category's profitability has been shaped pretty much by Mother Nature. When she's kind, supplies abound and prices temper. When she's nasty, supplies slacken and prices climb. Supply and demand, pure and simple.

Only it didn't quite work out that way last year, at least not for everyone in the canned fruit business. Consumer resistance to large sizes and sweeping disenchantment with fruits packed in heavy syrup were clear signals that the trade faces a whole new ballgame.

With few exceptions, canners look back at a year in which industry shipments slipped precipitously from the previous year, and only a

higher retail price, not tonnage, allowed sales to keep pace with inflation.

"The consumer told us two things last year," says Alan Lakin, group

product manager for Libby. "She wants a tasty canned fruit without all the sugar, and in a can under a dollar."

Sensing the shift, manufacturers began test marketing "lighter" canned fruits more than a year ago. But the size problem is a more complex issue.

"With people trading down from the large [28-oz.] containers to the 16- and 8½-oz. sizes, the result is an overabundance of one size and a shortage of the others," says Dick Lynch, director of product management for Del Monte, the dominant factor in the field of deciduous fruits.

His company, which managed to hold its market shares in '79, is busily working to solve the problem, but, notes Lynch, it requires substantial capital investment to convert production lines to the smaller sizes.

Of course, large fruits simply don't fit into small cans, which raises an entirely new problem. Del Monte seems to have found an effective alternative with its chunky-style mixed fruit. After successful test-marketing, the product rolled out nationally this month. However, the public's response to Del Monte's chunky size version of peaches and pears hasn't been as enthusiastic.

Light is "in": The nation's major canners may agree about consumers' move away from heavy syrups, but there are some harsh differences of opinion as to the magnitude of the phenomenon.

Libby, which bucked the industry trend with an 8%-10% hike in ton-

Incidence of Purchase (per 1,000 POS transactions)		
Canned peaches	Unit sales	Dollar sales
1979	28	\$15.97
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+7	+25
Source: TRIM Inc.		

CANNED FRUIT

nage last year (thanks to product segmentation), is putting its money on canned fruit without any sugar. Last March the company unveiled a four-variety line of Libby Lite fruits, each packed in its own juice. "It was an instant hit," says Lakin of the two-city test, claiming that expectations were exceeded by roughly 100%. The line rolled out nationally in January, supported with trade allowances and backed by heavy television advertising.

The response? Lakin likes to point to Seattle, where average movement has been more than a case a day per store. "I'd call that phenomenal!"

Packed in both the 303's and 8½-oz. cans, Libby's Lite line consists of fruit cocktail, peaches, pears and chunky mixed fruit—the same

products it used to pack only in heavy syrup. "The difference," says Lakin, "is that now we're seeing profits."

Del Monte is making similar strides, but from a slightly different direction. "We believe the consumer is expressing a preference for juice-

Juice-packed fruits nudge heavy syrup aside as consumers turn away from sugar

packed fruit, but we don't feel the current formulations are feasible," says Lynch. Consequently, Del Monte is test-marketing its own

Lite line version, packed in a lighter syrup with far less sugar.

Del Monte offers seven varieties in 16-oz. cans: fruit cocktail, apricots, mixed chunky fruit, pears and peaches, the latter two in both halves and slices. Favorable response from consumers and the trade is a welcome encouragement of this major capital investment.

Dole seems to think so, and it's banking on the "natural" trend to land its new line of Fruit in Juice products a permanent place on supermarket shelves. The premier pineapple canner, in its first major effort outside that field, began test-marketing five varieties (peach slices, pear halves, apricot halves, fruit cocktail and Mandarin oranges) earlier this year on the West Coast. It's since gone national.

Canned Fruit: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment Items/ Brands/ Sizes at Whse.	Margin Avg. Gross Margin (% of Retail)
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)		
Pie Fruits & Fruit Fillings	5.31	\$ 59.53	\$ 48.30	23.25	6.83	\$ 15.48	8	26.0
Applesauce	17.48	195.79	150.42	30.16	17.47	39.51	19	20.2
Plain	16.51	184.96	142.14	30.13	16.36	36.99	17	20.0
All Other Applesauce	0.97	10.83	8.28	30.80	1.11	2.51	2	23.2
Fruit Salad & Cocktail	12.31	137.87	126.96	8.59	10.78	24.43	14	17.7
Salad	1.40	15.67	9.66	62.22	1.51	3.42	3	21.8
Cocktail	10.91	122.20	117.30	4.18	9.27	21.02	11	17.2
Peaches	19.03	213.06	216.66	- 1.85	17.42	39.52	26	18.5
Cling Sliced	9.93	111.23	110.40	0.75	8.83	20.02	11	18.0
Cling Halves	5.04	56.40	64.86	- 13.03	4.65	10.55	7	18.7
Freestone/Elberta Slices	1.82	20.37	17.94	13.55	1.96	4.44	4	21.8
Freestone/Elberta Halves	0.70	7.83	6.90	13.48	0.70	1.60	2	20.4
All Other Peaches	1.54	17.23	16.56	4.05	1.28	2.91	2	16.9
Pineapple	18.87	211.48	178.02	18.80	20.24	45.88	22	21.7
Chunks	6.85	76.76	64.86	18.35	7.11	16.12	6	21.0
Crushed	6.15	68.93	59.34	16.16	6.72	15.23	7	22.1
Sliced	5.59	62.66	51.06	22.72	6.00	13.66	8	21.7
All Other Pineapple	0.28	3.13	2.76	13.41	0.41	0.93	1	29.7
Cherries	1.40	15.67	15.18	3.23	1.81	4.11	4	26.2
Berries	6.57	73.63	64.86	13.52	5.43	12.33	10	16.7
Cranberries &								
Cranberry Products	5.73	64.23	55.20	16.36	4.36	9.89	6	15.4
All Other Berries	0.84	9.40	9.66	- 2.68	1.07	2.44	4	25.9
Apples	0.42	4.70	4.14	13.53	0.52	1.18	2	25.1
Apricots	2.38	26.63	24.84	7.21	2.82	6.38	6	24.0
Citrus	3.92	43.87	38.64	13.54	3.99	9.04	4	20.6
Figs	0.56	6.27	4.14	51.45	0.72	1.64	1	26.1
Pears	9.23	103.43	93.84	10.22	9.13	20.69	12	20.0
Plums & Prunes	1.26	14.10	12.42	13.63	1.34	3.06	4	21.6
All Other Fruit	1.26	14.10	13.80	2.17	1.50	3.40	4	24.1
Total	100.00	\$1,120.13	\$992.22	12.89	100.00	\$226.62	136	20.2

% of total store volume . . . 0.72%

CANNED FRUIT

Incidence of Purchase (per 1,000 POS transactions)		
Canned applesauce	Unit sales	Dollar sales
1979	24	\$13.66
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	N/C	
Source: TRIM Inc.		

"Juice-packed fruits are the hottest thing today," says Al Lomato, new products manager for Dole. "We're getting in on the ground floor."

There are some manufacturers who might take issue with that claim. Dietetic brand marketers have been packing fruit in its own juice for years, usually mixed with apple or grape juice. Unfortunately, their products tend to be associated with medical foods, thereby limiting their impact.

"That's the difference," says Lomato. "We're reaching everyone who wants to avoid sugar. That's a big audience, and it's growing every year."

Feast to famine: Dole's pursuit of product segmentation comes at a time when it's battling to regain lost market shares for its leading pineapple items. As outstanding as '79 was for Dole's juice line, that's how devastating it was for fruit.

"There was a tremendous oversupply of solid-packed pineapple, mainly from Thailand," explains Dole's Jesse Knight. "While supplies went all over the world, a lot came to the United States."

The sudden glut of pineapples ushered in a rash of "third brands," as novice packers, along with established canners, offered retailers lucrative deals on in-out promotions. The below-average prices, according to Knight, spurred rapid turns at Dole's expense.

"Practically overnight some of the established packers went from a 2%-3% share of market to 8%-9%," says Knight. That's a lot of pineapples in a 15-million-case industry. All three of Dole's pineapple products—solid-sliced, crushed and chunk—lost a piece of their market.

What's happening today? The supplies from Thailand have dipped dramatically due to a drought. While the pipeline is still filled up

since retailers built up a stockpile of inventories, it's slowly working its way out of the stores.

Not to be left out, the trend in pineapple sales is also toward juice-packed vs. syrup-packed. Last year, pineapple packed in juice

showed real growth of 2.5%, while syrup-style suffered a 2% drop.

Reflecting this trend, retailers are starting to discontinue some of the syrup-based lines while increasing juice-packed offerings. Dole, contends Knight, is not losing any ground here since most supermarkets are staying with his brand.

There's another snag in the canned fruit business that could signal further trouble for canners: the public's embracement of fresh fruit. Says a Government agricultural economist, "There's no question that more and more consumers are finding fresh fruits the better value—both nutritionally and financially—over canned."

This challenge, together with the scramble to formulate "light" alternatives to syrup-packed products, should make 1980 an interesting year for canned fruit. □

Unit Movement

The following chart shows each canned fruit category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Ple Fruits & Fruit Fillings	39	2.66
Applesauce	213	14.53
Plain	202	13.78
All Other Applesauce	11	0.75
Fruit Salad & Cocktail	203	13.83
Salad	20	1.36
Cocktail	183	12.47
Peaches	297	20.24
Cling Sliced	167	11.38
Cling Halves	69	4.70
Freestone/Elberta Slices	31	2.11
Freestone/Elberta Halves	8	0.55
All Other Peaches	22	1.50
Pineapple	310	21.13
Chunks	109	7.43
Crushed	105	7.16
Sliced	92	6.27
All Other Pineapple	4	0.27
Cherries	11	0.75
Berries	140	9.54
Cranberries & Cranberry Products	134	9.13
All Other Berries	6	0.41
Apples	5	0.34
Apricots	34	2.32
Citrus	61	4.16
Figs	4	0.27
Pears	117	7.98
Plums & Prunes	16	1.09
All Other Fruit	17	1.16
Total	1,467	100.00

Gelatins and puddings bounce back



Bad news for the economy is good news for gelatin and pudding.

The bad news, of course, is that rising unemployment and double-digit inflation are putting the pinch on family budgets, forcing a record number of homemakers to trade down.

In this economic climate, the 50-year-old "reliables," gelatin and pudding, are beginning to bounce back from two years of decline (1977 and 1978) and a flat performance in 1979.

A marketing exec says, "People are going back to less expensive desserts. Even an apple costs 25¢. Dry-mix gelatin and pudding cost only 10¢-12¢ per serving."

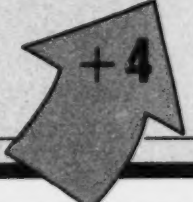
Manufacturers are not quietly waiting for the upturn. This year they will spend in excess of \$25 million promoting these two categories, vs. \$20 million in 1979 and \$18

million in 1978. "In perspective," says a product manager, "that's a lot of support when you realize that the entire margarine industry spent \$30-\$40 million in 1979."

Top gun General Foods (Jello) is unlimbering the heavy promotional artillery. The overall strategy is to promote usage of these low-cost

desserts through tie-ins with other items that can be utilized in combination to create a still inexpensive but fancy treat. Typical is the "pudding in a cloud" effort GF launched in April, keyed to a combination of Jello pudding and Cool Whip.

Coming in September is the kickoff of the company's first TV cam-

Incidence of Purchase (per 1,000 POS transactions)		
Gelatins	Unit sales	Dollar sales
1979	41	\$13.65
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	N/C	
Source: TRIM Inc.		

DESSERTS & TOPPINGS

paign in support of a salad recipe book. It's a more comprehensive version of the multipage recipe insert General Foods distributed through newspapers in 1979.

In December, GF will put promo power behind its "rainbow cake" recipe. (The user pokes a knife into the cake and adds gelatin for flavor and color.)

The manufacturer, which has already spent millions to promote Cool Whip as a pie ingredient as well as a topping, may be trying to do the same thing with Dream Whip whipped topping mix through its Dream Pie effort.

After offering a tie-in "Black Hole" poster, Standard Brands (Royal) began touting its "Instant Money Sweepstakes" in April. Tickets and coupons were inside the package. First prize: \$5,000.

Gelatin and pudding's uphill battle to regain market share is symptomatic of the entire dessert/topping category. Six factors account for the failure of sales to keep pace

with inflation: (1) increasing concern with weight control, (2) declining traditional meals, (3) more eating out, (4) smaller households, (5) more snacking during evenings, and (6) more working women who trade off for no-preparation desserts to save time.

After three lackluster years, less expensive desserts are making a major comeback

A General Foods spokesman fills in: "Preoccupation with weight and diet has resulted in either no dessert or lighter dessert. This, of course, benefits gelatin and pudding—but there is increased competition from other convenience light desserts such as fruit, yogurt and ice cream."

Because family meals are no

longer structured (salad, meat, potatoes, vegetables, dessert), desserts have given way to snacks, most of which are not gelatin or pudding.

The market breakout for gelatin and pudding: the 6-oz. size represents 45% of the gelatin dry mix market, with strawberry, cherry, raspberry and orange the leading flavors. In dry mix pudding, the 6-oz. accounts for only 35% of sales, with pistachio, vanilla and chocolate the "big three." Tops in cooked pudding are chocolate, vanilla and butterscotch.

Consumers are not the only ones trading off (nutrition, taste, convenience, price). General Foods' Dream Whip, which holds 88% of the dry topping market, was kingpin of dessert toppings for 10 years. Then General Foods successfully introduced frozen Cool Whip. From 1975 through 1979, sales of Cool Whip increased at a compounded annual rate of 13.5% while Dream Whip plummeted. Now GF is push-

Desserts & Toppings: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Gelatin	32.19	\$147.26	\$139.38	5.65	30.59	\$ 32.02	43	21.7
Flavored	29.11	133.16	125.58	6.04	27.22	28.50	39	21.4
Unflavored	2.40	10.97	9.66	13.56	2.55	2.67	3	24.3
Drinks	0.68	3.13	4.14	-24.39	0.82	0.85	1	27.3
Pudding & Pie Filling Mixes	31.86	145.80	136.62	6.72	30.33	31.72	41	21.8
Pudding & Pie Filling	14.38	65.80	56.58	16.30	13.59	14.21	21	21.6
Instant Pudding	11.98	54.83	55.20	- 0.66	11.38	11.90	14	21.7
Pie Filling	2.08	9.50	6.90	37.68	1.94	2.02	3	21.3
Refrigerated Pie Mixes	2.05	9.40	12.42	-24.31	1.92	2.01	2	21.4
Egg Custard	1.37	6.27	5.52	13.59	1.50	1.57	1	25.0
Whipped Desserts	0.50	2.30	4.14	-55.56	0.41	0.43	1	18.8
Topping Mixes	2.74	12.53	12.42	0.89	2.71	2.83	2	22.6
Prepared Toppings [Not Frosting]	8.22	37.60	41.40	- 9.17	8.78	9.18	10	24.4
Chocolate	5.82	26.63	24.84	7.21	5.91	6.18	4	23.2
All Other	2.40	10.97	16.56	-33.75	2.87	3.01	6	27.4
Canned Puddings	4.11	18.80	9.66	94.62	4.28	4.47	8	23.8
Individual Servings Canned	8.56	39.17	40.02	- 2.11	8.99	9.40	11	24.0
Pudding & Fruit	0.34	1.57	4.14	-82.87	0.39	0.41	2	25.9
Rennet	6.85	31.33	22.08	41.89	8.51	8.90	6	28.4
Maraschino Cherries	1.71	7.83	8.28	- 5.42	1.59	1.66	3	21.2
Mince Meat	1.71	7.83	6.90	13.48	1.75	1.83	2	23.4
All Other Desserts & Dessert Mixes	1.21	5.53	5.52	0.18	1.67	1.75	3	31.6
Total	100.00	\$457.55	\$430.56	6.27	100.00	\$104.60	132	22.9

% of total store volume . . . 0.29%

DESSERTS & TOPPINGS

ing Dream Whip as a pie ingredient, as well as topping.

Dream Whip's two sizes—two- and four-envelope—sell equally well. This may surprise marketers because logic is on the side of the two-envelope: smaller families and more singles. A GF product manager explains: "First, sales are influenced by deals, and the four-envelope appeals to supermarkets because of its higher dollar yield. As for customers, family size is a factor, but so is usage. A small family may prefer the large size because the woman may want to make two pies, so she uses a four-envelope box. Also, she may want to make the topping as well as the pie from the mix, and therefore needs the four-serve size."

Surge to squeeze: The fastest grower in toppings is the squeeze-bottle chocolate syrup, which is used both as a topping and a milk modifier.

RJR Foods' 20-oz. Milk Mate was launched in mid-1977, followed by Hershey's 24-oz. size in the spring

of 1979. From a zero start, the squeeze syrup category has hit \$12 million in annual sales and is already changing the powder/liquid market ratio.

In 1977, powdered chocolate had 60% of the market, liquid 40%. Today powder has dropped to 46% and liquid has 54%.

It doesn't take a soothsayer to predict that powdered manufacturers won't let the grass grow under their feet for long. Therefore, new market entries are inevitable.

Why the surge to squeeze?

It's easier to use—the push-pull closure is super-convenient for measuring and dispensing. It mixes thoroughly, whereas powder may not, and it can be used year-round: as a milk modifier in winter, a topping in summer.

Print and TV advertising is centered around the milk-flavoring theme because milk modifiers were growing rapidly even before squeeze debuted.

As for ice cream toppings, sales are down because ice cream produc-

tion is down. Chocolate still accounts for 50% of the market, followed by butterscotch and caramel.

To buoy sales of both topping and ice cream, Kraft is going with a 25¢ coupon in selected markets this summer. To be eligible for the coupon, consumers are required to buy both topping and ice cream.

Last year Smuckers offered one jar of its topping free with purchase of one jar, tied to a mail-in coupon.

Canned pudding represents the classic confrontation between convenience and price. The strong point of both 5-oz. and 303 size is ready-to-eat convenience. However, the per-serving cost of canned pudding is more than double that of dry mix.

The 5-oz. unit suffers from a much more pervasive handicap than the 303 because of the high cost of aluminum cans and the pop top.

Canned pudding does not score high on the nutrition scale, either. A nutritionist notes, "Pudding is a highly sugared snack with little nutritional value." And an exec with a major pudding manufacturer says sales are static because of the "proliferation of other desserts." What he doesn't say is that other convenience snacks, such as raisins, nuts and dried fruit, are considered more nutritious.

Still, taste and convenience are major factors. Michigan Cannery, largest packers of canned pudding, has added a fifth custard item (egg custard) because, according to a company official, "It has superior taste, and people do not have the time to make custard at home."

The 5-oz. individual canned fruit line is hurting, too. The same marketing drawback affecting puddings is evident: price differential.

However, instead of competing with dry mix, fruits are price-comparing unfavorably with large sizes of canned fruit. Del Monte's 4-can pack of diced peaches totals 20 oz. and retails at 97¢, or 5¢ per ounce, while a 29-oz. size can of Del Monte sliced peaches (63¢) breaks out at slightly more than 2¢ per ounce.

The convenience aspect of the 5-oz. fruit can is somewhat blunted, too. Whereas the time spent in preparing dry mix vs. canned is considerable, the time spent in transferring canned fruit from a 29-oz. container to lunch-box-size is negligible.

In addition, canned fruit is packed in heavy syrup, which turns off sugar-watchers. □

Unit Movement

The following chart shows each dessert & topping category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Gelatin	375	42.91
Flavored	360	41.19
Unflavored	13	1.49
Drinks	2	0.23
Pudding & Pie Filling Mixes	327	37.41
Pudding & Pie Filling	157	17.96
Instant Pudding	133	15.22
Pie Filling	23	2.63
Refrigerated Pie Mixes	7	0.80
Egg Custard	7	0.80
Whipped Desserts	1	0.11
Topping Mixes	13	1.49
Prepared Toppings		
(Not Frosting)	43	4.92
Chocolate	30	3.43
All Other	13	1.49
Canned Puddings	21	2.40
Individual Servings		
Canned Pudding & Fruit	34	3.89
Rennet	3	0.34
Maraschino Cherries	31	3.55
Mince Meat	4	0.46
Tapoca (Dry)	9	1.03
All Other Desserts & Dessert Mixes	13	1.49
Total	874	100.00

Loyalists keep pickle sales afloat



What's a pastrami sandwich without a pickle? Mere filler, if we are to believe the truly dedicated pickle lover. It seems that aficionados of that crunchy cured cucumber are keeping the entire category out of—well, a pickle.

"I've talked with enough consumers to come to that conclusion," says Dennis Geraghty, product manager for H. J. Heinz Co. of Pittsburgh. "We think there's been a shakeout of marginal users, but there is a hard-core base of pickle junkies."

A little pickle history is in order. During the recession of 1974, the category dipped only about 5%, while others, including frozen foods, plummeted almost 25%. The pickle industry never really regained those customers, according to Geraghty, but instead built sales within the ranks of loyalists.

Consider this: The category has been almost flat in case volume over the last two years, although registering a 10% increase in sales on the strength of inflation. But the biggest sales gainers, according to industry sources, have been the most

expensive pickles.

Refrigerated pickles in particular, which cost from 15¢ to 45¢ per quart more than the shelf-stable variety, continue to gain market share. That variety now accounts for 14% of the market.

At the same time, private label and generic label pickles are making some inroads on the more price-sensitive segment of consumers, but this variety is shopped more carefully.

In fact, pickle buyers tend to be fairly picky about quality, a factor

that hurt movement last year. The industry is currently in the fourth year of a product evaluation that last year produced 1,100 pages of computer printout.

That evaluation reinforced a conclusion that many chain buyers had reached: Those companies with the highest-quality product were the ones whose sales had kept pace. This conclusion is also reflected in changes in the manufacturing process itself.

"People are looking for freshness of shelf pack," says Bill Moore of

Incidence of Purchase (per 1,000 POS transactions)		
Pickles	Unit sales	Dollar sales
1979	23	\$23.89
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	N/C	+4
Source: TRIM Inc.		

PICKLES & OLIVES

Pickles: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Pickles	68.03	\$263.31	\$240.12	9.66	69.64	\$ 74.38	66	28.2
Dill	38.85	150.39	133.86	12.35	40.13	42.86	37	28.5
Sour	1.25	4.83	4.14	16.67	1.22	1.30	2	27.0
Sweet	22.26	86.16	82.80	4.06	22.75	24.30	22	28.2
All Other Pickles	5.67	21.93	19.32	13.51	5.54	5.92	5	27.0
Pickle Specialties & Relishes ..	31.97	123.76	126.96	- 2.61	30.36	32.42	35	26.2
Pimientos & Peppers	14.97	57.96	64.86	-10.63	14.06	15.01	18	25.9
Relishes	12.95	50.13	48.30	3.79	12.53	13.39	11	26.7
All Other Pickle Specialties ...	4.05	15.67	13.80	13.55	3.77	4.03	6	25.7
Total	100.00	\$387.07	\$367.08	5.45	100.00	\$106.81	101	27.6
% of total store volume . . . 0.25%								

Pickle Packers International, St. Charles, Ill. "Crispness is the No. 1 criterion, so manufacturers are going back to fresh pack." The fresh pack is not only crisper—more crunch for the buck—but lower in calories due to the production methods.

Currently, about 57% of all pickles produced are fresh pack. Processed accounts for 35%, and other methods comprise the remaining 8%.

Within the available varieties—there are 66 in the CSA warehouse sample—there are regional preferences. New Englanders seem to prefer spears, while Middle Atlantic residents like whole Kosher dill. Southerners have more of a hankering for salad cubes and sours. Overall, the kosher dills and hamburger dill slices were the only varieties with real gains last year, according to the packers.

Relish prices up: In relish categories, tight supplies will conspire to keep prices up, but if pork prices remain low, hotdog—and therefore relish—consumption could stay high. "The relish business is a high rolling game vacillating between black jack and Russian roulette," muses Geraghty. "Forty-five per cent of the business is done between mid-April and mid-June. You go in with a certain program and you either get the business or you don't."

But what continues to surprise the Heinz people as well as the rest of the industry is the relative strength of the pickle category even though shoppers are choosing pur-

chases more carefully. Case volume through April had increased by 96,000 over the comparable period a year earlier, and sales were expected to remain strong through peak sales periods in late May and early June.

"It's a high flavor-orientation product that seems to defy the overall economic condition," says Geraghty, "It's an enigma."

"Those supers that continue to do the basics are getting the margins," says Moore. And the margins are getting better. Last year average gross margins inched up 2.7% to 28.2%. "We've got to come up with

some ways to tell store managers that displays, especially near the deli section, are the answer."

Olives: Here's something to nibble on: per capita consumption of olives has risen 37½% over the last five years to 0.55 lb. per person in 1979, despite a lean crop in 1978.

There was nothing lean about gross margins last year, which climbed on average 2.3% and as much as 4% in a single category. The outlook for the current year is similar.

"Basically, I'd have to say that olives are still looking pretty good in spite of a fairly obvious reces-

Unit Movement

The following chart shows each olives/vinegar category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Olives	212	65.23
Green, Ripe, Whole, Pitted (Canned)	28	8.62
Black, Ripe, Whole, Pitted	86	26.45
Green, Pimiento—Stuffed	52	16.00
Green, Unstuffed, Whole, Pitted	10	3.08
All Other Olives	36	11.08
Vinegar	113	34.77
White, Distilled	51	15.69
Cider	28	8.62
Wine & Herb	34	10.46
Total	325	100.00

PICKLES & OLIVES

sion," says Bill McFarland of the California Olive Industry and president of Early California Foods.

The good part is that supplies, of both domestic and imported olives, should be more than adequate for the rest of the year, particularly in the peak-demand period around the holidays.

In fact, California reported its largest crop ever, 126,000 tons through the period ending last September. In Europe, the Green Olive Trade Association reports that supplies are in "pretty good condition."

"Quality this year is very good," said a spokesman for the group, "and there are more olives this year than last." The only hitch in the Spanish market is that despite the good supply, prices will remain at higher levels.

The Spanish Government, which controls the industry, has set minimum prices it will accept for olives, 75% of which go to retail. Despite the prices, the spokesman says, "Sales are keeping up, and most packers are busy."

Spanish packers are keeping busy with stuffed greens and the manzanillo variety. In the United States, pitted categories have risen dramatically, with pitted whole green olives showing a 36% increase over the previous year. Chopped and sliced olives have also shown good movement, according to the canners, and now account for about

Incidence of Purchase (per 1,000 POS transactions)		
Pickle specialties	Unit sales	Dollar sales
1979	8	\$6.08
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	N/C	
Source: TRIM Inc.		

10% of the category at retail.

On both sides of the Atlantic there is optimism that sales this year could outstrip inflation. The industry is worried about buyer sensitivity—lumping the product into the impulse (or, in inflationary times, nonimpulse) category and cutting back inventories and displays.

"It's probably less of a luxury category than most buyers think it is," says McFarland. Although olive sales peak in November and December, the industry is trying to dispel the holiday-only myth. "We're trying to solicit cooperation for getting olives out more frequently in the off-holiday season. Almost anytime they're stacked we get good results."

In one industry test, ripe olive

sales increased by a minimum of 124% when mass-displayed.

One of the best-kept secrets of the grocery department may be the vinegars, which last year jumped an aggregate 20.33%. "Vinegars run countercyclical to the economy," explains a spokesman for one of the leading manufacturers.

"When the economy goes sour, more people go to home gardening and subsequently canning and pickling." The spokesman also said that the natural foods kick has turned some consumers away from bottled salad dressing to vinegar and oil.

Consumers are also rediscovering the product's old-fashioned 1,001 uses reputation. White vinegar continues to be the strongest seller, largely due to the higher price of apple, wine and herb vinegar. □

Olives & Vinegar: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Olives	71.04	\$203.66	\$184.92	10.13	74.69	\$59.17	33	29.1
Green, Ripe, Whole, Pitted [Canned]	0.73	2.10	2.00	5.00	0.80	0.63	6	30.1
Black, Ripe, Whole, Pitted	28.74	82.40	72.52	13.62	27.78	22.00	5	26.7
Green, Pimiento-Stuffed	23.44	67.20	66.24	1.45	26.12	20.70	13	30.8
Green, Unstuffed, Whole, Pitted	6.56	18.80	13.80	36.23	7.69	6.09	3	32.4
All Other Olives	11.57	33.16	30.36	9.22	12.30	9.75	6	29.4
Vinegar	28.96	\$83.03	\$69.00	20.33	25.31	\$20.06	18	24.2
White, Distilled	12.02	34.47	27.60	24.89	10.48	8.31	6	24.1
Cider	7.65	21.93	19.32	13.51	6.53	5.18	5	23.6
Wine & Herb	9.29	26.63	22.08	20.61	8.30	6.58	7	24.7
Total	100.00	\$286.59	\$253.92	12.91	100.00	\$79.23	51	27.6
% of total store volume . . . 0.18%								

Marketers move to head off slump

Marketers accustomed to the public's seemingly insatiable appetite for candy and gum got a taste of what strident criticism and soaring prices can do to an otherwise healthy category.

Despite a flurry of activity surrounding a string of new product introductions, overall dollar volume in supermarkets edged up less than 10% last year. The category's plight is harshly reflected in its contribution to total store volume, which declined for the third straight year.

Most of the real growth had been coming from the gum segment, spurred by the phenomenal sales success of sugarless items through the mid-70's. Movement softened in '78, when manufacturers decided to switch from saccharin to an inferior—but potentially less risky—sweetening agent. Last year the sugarless market felt the full impact of the changeover, slipping 3% in supermarket sales.

The candy industry did get a reprieve of sorts when the Bureau of Census disclosed in December that it has inadvertently underestimated sales for the past two years by at least 15%. But not everyone in the candy business let out a sigh of relief.

Several candy manufacturers side with industry observers who caution that sales and per capita consumption are still below satisfactory levels.

Their main concern: The sudden improvement in sales figures could lull candy manufacturers into an unhealthy state of complacency.

Deeper shortcomings: That's too bad, say observers, because the upward revisions don't offset the category's deeply rooted ailment: the consumer's negative image of the product.

Adds the confectioner, "Manufacturers have been so busy focusing on their individual market shares, they've neglected the wave of criticism directed against candy."

There are signs of change. Manufacturers are mounting collective efforts to counter the claims by nutritionists against their products. "Any food item can be incorporated into a sound diet—and that includes



candy," says Helen La Pat Smith of the National Confectioners Association, which is in the forefront of the battle to stem adverse publicity.

But even if they're successful in shedding the negative image, other obstacles confront candy marketers. Steadily rising commodity prices and the higher costs of packaging, labor and distribution, for in-

stance, have catapulted the standard 20¢ candy bar to a quarter.

Similarly, many manufacturers are transforming the traditional 6-pack into a slimmer 4-pack in an effort to keep the retail price under a dollar for as long as possible.

The candy category, of course, did have its share of hot items last year. Most notable were the gains

Incidence of Purchase (per 1,000 POS transactions)		
Gum	Unit sales	Dollar sales
1979	67	\$22.00
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+10	+14
Source: TRIM Inc.		

CANDY & GUM

made by the sugarless segment of the hard roll candy and mint market, which has prospered at the expense of the sugar segment.

Life Savers, which holds a commanding lead in its segment of the market, sought to further its hold by rolling out Breath Savers, a sugarless breath mint. On the heels of the entry's success, several Life Saver rivals have launched comparable candies to capitalize on the category's current sales spurt.

Strong ally: Nonetheless, candy manufacturers are singing the blues over the category's dismal performance. But it's not a solo act. Food retailers, who've historically benefited from candy's well-above-

average gross margins and equally high turn rate, got less than they bargained for last year.

Yet while retailers can't do much to alleviate rising prices or poor publicity, a growing number are boosting volume by tailoring their merchandising to fit changing buying patterns.

Says the candy merchandiser for a major Midwest chain, "Consumers may be price-conscious, but they're equally concerned with quality. Shoppers—in my stores, anyway—are showing a strong preference for a select line of chocolate, so we've stocked the shelves to reflect this."

Chocolate has, in fact, enjoyed a

considerably higher acceptance level than non-chocolate among nutrition-minded consumers. But whatever the preference, the point is that a proper mix is essential to maximizing sales. With the typical supermarket today stocking over 600 separate candy items, efficient product rotation has never been more critical.

At the same time, candy merchandisers are witnessing increased sales by featuring candy more prominently during expanded holiday promotions—those times of the year when consumers appear to spend more freely on candy.

Moreover, off-shelf display vehicles placed strategically throughout

Candy & Gum: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/Brands/Sizes at Whse.	Avg. Gross Margin (% of Retail)
Holiday Specials	4.36	\$ 81.46	\$ 71.76	13.52	4.84	\$ 28.59	92	35.1
Bar Candies	23.79	444.57	445.74	- 0.25	21.02	124.33	114	28.0
Large Sizes	5.55	103.69	88.32	17.40	4.70	27.79	17	26.8
Chocolate, Multi-Packs	9.28	173.71	165.60	4.90	7.93	46.90	41	27.0
Chocolate, Singles	1.74	32.44	30.36	6.85	1.91	11.29	27	34.8
Other Bars, Multi-Packs	6.21	115.93	136.62	-15.13	5.39	31.88	16	27.5
Other Bars, Singles	1.01	18.80	24.84	-24.31	1.09	6.47	13	34.4
Gum	18.35	342.60	332.58	3.01	21.48	126.90	101	37.0
Regular	6.51	121.64	125.40	- 2.99	7.29	43.06	49	35.4
Sugarless	5.15	96.09	94.48	1.70	5.97	35.27	37	36.7
Bubble Gum	6.69	124.87	112.70	10.80	8.22	48.57	15	38.9
Hard Candies	7.81	145.69	124.20	17.30	8.79	51.95	56	35.7
Roll Candies	2.60	48.56	38.64	25.67	3.19	18.84	16	38.8
Lollipops	1.43	26.63	19.32	37.84	1.57	9.27	13	34.8
All Other Hard Candies	2.35	43.87	41.40	5.97	2.43	14.39	24	32.8
Cough Drops	1.43	26.63	24.84	7.21	1.60	9.45	13	35.5
Peanut Candies	3.86	72.06	49.68	45.05	3.46	20.47	20	28.4
Plain & Coated, All-Chocolate ..	10.35	193.27	133.86	44.38	9.08	53.64	31	27.8
Plain	5.96	111.23	62.10	79.11	5.18	30.59	15	27.5
Coated	4.39	82.04	71.76	14.33	3.90	23.05	16	28.1
All Other Chocolate-Coated Candies	4.11	76.76	69.00	11.25	3.73	22.03	19	28.7
Candy Mints	5.71	106.53	88.32	20.62	5.66	33.45	31	31.4
Breath Mints	2.94	54.83	46.92	16.86	3.62	21.38	22	39.0
Caramel, Taffy, Molasses, Fudge, etc.	3.36	62.66	73.14	-14.32	3.29	19.43	24	31.0
Jellies	2.52	47.00	31.74	48.08	2.52	14.90	17	31.7
Licorice	1.51	28.20	20.70	36.23	1.49	8.83	14	31.3
Marshmallows & Marshmallow Candy	2.52	47.00	42.78	9.86	2.84	16.78	10	35.7
Popcorn Candy & Popcorn Kernels	4.36	81.46	80.04	1.77	3.85	22.73	15	27.9
All Other Candies	4.45	83.03	89.70	- 7.43	4.33	25.57	56	30.8
Total	100.00	\$1,867.12	\$1,700.16	9.82	100.00	\$590.97	632	31.7
% of total store volume . . . 1.19%								

CANDY & GUM

the store have become increasingly prevalent as retailers capitalize on the high promotability factor of candy.

And the front end, where impulse sales dominate, is turning into the hottest location for small-size candy.

Gum's new image: If gum manufacturers have their way, it could get very crowded at the front end. "In 1980," suggests the marketing vice president for a major gum company, "the checkout area is where it's all going to come together for our products."

Retailers hope he's right, considering the sticky situation gum faced in '79 when sales in supermarkets ended up virtually flat. The only aura of excitement came from the bubble gum segment, which overtook both regular and sugarless as the department's leader.

Led by Life Savers' Bubble Yum, bubble gum recorded the only meaningful increase in supermarket dollar volume. Gum marketers, determined to revive stagnant sales for the overall category, are now intensifying their advertising and promotional efforts.

Life Savers, which already markets the leading sugarless gum, Care-Free, hopes to stem a declining sugarless market with its newest entry, Supradent.

Besides a hefty advertising budget and introductory trade allowances, the new gum is counting on saccharin for its sales thrust. After a two-year respite, Life Savers believes consumers will opt for better taste over health warnings.

But the Life Saver move prompted a quick countermeasure by Warner-Lambert, whose American Chicle subsidiary markets arch-rival Trident. Citing a "serious concern" that Life Savers will market a sugarless gum with saccharin, Warner-Lambert says it's applying stickers to Trident packages claiming it "contains no saccharin."

While the reason given for its actions revolves around the similar packaging of the two products, some industry observers feel it's also aimed at blunting the impact of Supradent.

New look? In light of today's more selective shopper, candy sections may get face lifts as candy merchandisers start trading variety for quality. At the same time, retailers will be relying more heavily on those manufacturers who provide in-store support functions.

"The move now is to take advantage of every conceivable service

candy manufacturers have to offer," says the head buyer for a Northeast food chain. "We'll promote the category as best we can. Believe me, the

last thing we want to see is the growth of candy and gum sales in convenience stores—at the supermarket's expense." □

Incidence of Purchase (per 1,000 POS transactions)		
Candy, bagged & boxed	Unit sales	Dollar sales
1979	81	\$65.28
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number		
Source: TRIM Inc.		

Unit Movement		
The following chart shows each candy & gum category's share of total unit movement, measured in units per store per week.		
Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Holiday Specials	81	2.74
Bar Candies	629	21.27
Large Sizes	97	3.28
Chocolate, Multi-Packs	153	5.18
Chocolate, Singles	247	8.35
Other Bars, Multi-Packs	69	2.33
Other Bars, Singles	63	2.13
Gum	906	30.62
Regular	442	14.94
Sugarless	359	12.13
Bubble Gum	105	3.55
Hard Candies	320	10.81
Roll Candies	125	4.22
Lollipops	77	2.60
All Other Hard Candies	65	2.20
Cough Drops	53	1.79
Peanut Candies	63	2.13
Plain & Coated, All-Chocolate	195	6.58
Plain	77	2.60
Coated	54	1.82
All Other Chocolate-Coated		
Candies	64	2.16
Candy Mints	127	4.29
Breath Mints	153	5.17
Caramel, Taffy, Molasses, Fudge, etc.	82	2.77
Jellies	63	2.13
Licorice	45	1.52
Marshmallows & Marshmallow Candy	79	2.67
Popcorn Candy & Popcorn		
Kernels	94	3.18
All Other Candies	122	4.12
Total	2,959	100.00

Sugar prices head sky-high



The most explosive story in the baking needs category was only a gloomy prediction in 1979. But by this spring, the prediction was rapidly coming true: The price of sugar began heading skyward at a supersonic speed. It is unlikely, however, that prices will soon reach the \$5-lb. level they did a few years back.

Droughts and plant disease in a number of sugar cane and sugar beet-producing countries are to blame for the possibility that world production of sugar will fall short of world consumption estimates, analysts say. Though that hasn't happened in seven years, its likelihood this summer is so great that sugar commodity prices had nearly doubled by midspring over comparable figures for last year, breaking a five-year record.

For supermarketeters, that means dramatic price hikes and the strong possibility of retailing the sweet stuff below its cost. It means sugar promotions are out; consumer—and

retailer—anger is in. One leading supermarket chain, 153-unit Stop & Shop of Boston, mounted a campaign to convince consumers to boycott sugar as early as March. It renewed the call in May, and other supermarketeters were considering similar action.

The volatile situation stands out even more sharply because of the sluggish performance of the rest of the baking needs category, where

the performance-chart line ambled along, flat and peaceful, for most of 1979. That wasn't necessarily bad; the category had slipped badly in 1976-77, dropping nearly 10% in contribution to store volume alone. It has held steady, with no further slips, ever since. In terms of contribution to volume, baking needs turned in 2.27% in 1977, 2.2% in 1978 and 2.26% last year.

Overall sales gains last year reached slightly above the inflation rate, but tonnage remained relatively flat, dipping a percentage point or so in some broad categories. By the end of the year, however, the picture brightened considerably. Items like cake mixes, oil and certain kinds of flour were building up steam.

Cake mixes: The cake mix category followed that general trend. Adjusted to a standard base to account for size differences in individual items (one-layer and two-layer cakes, for instance), mixes were down about 1% in tonnage through most of 1979. They've experienced good growth since then, however, scoring a 15% tonnage increase in some two-month periods.

Why the shifts? Observers offer a variety of reasons. The cake mix category as a whole has been flat or declining for several years as desserts have been losing popularity. Then there's the economy and its effect on shoppers' buying habits.

Last year, there was something else, too: Price tags on layer cake mixes passed the \$1 mark. Initially, consumers viewed them as too expensive and dropped them from

Incidence of Purchase (per 1,000 POS transactions)		
Cake & cookie mixes	Unit sales	Dollar sales
1979	38	\$33.04
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number		
Source: TRIM Inc.		

BAKING NEEDS

their shopping lists. But then came the rebound. At deal time, supermarkets featured cake mixes in promotions for 79 or 89 cents. Shoppers perceived that as a fine value, and sales and movement went up.

The "big three" of cake mixes continued to dominate the two-layer-mix segment, which accounts for nearly two-thirds of all mix sales. Their relative positions remained the same, but all lost some busi-

ness—an indication that private label and generic mixes are making inroads into the fiercely competitive market. Duncan Hines kept its traditional No. 1 spot, accounting for some 27% of the market. Betty Crocker was No. 2, with a 17% share, and Pillsbury posted a 12% share. The figures are sure to change somewhat this year, however; Betty Crocker, for one, has gained in the layer cake market.

The other end of the cake mix market is filled with a variety of different-style products, and no manufacturer seems to capture more than 8% with any one item. The category includes some lines that were heralded as innovations when first introduced a few years ago but that proved to have a relatively short-lived impact. One-layer snacking cakes, many feel, haven't lived up to their initial promise.

Baking Needs: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Sugar	17.58	\$ 621.94	\$ 524.40	18.60	9.54	\$ 60.59	17	9.7
Granulated	14.57	515.41	419.52	22.86	6.41	40.72	8	7.9
Confectioners	1.15	40.73	40.02	1.77	1.12	7.09	2	17.4
Brown	1.59	56.40	52.44	7.55	1.67	10.60	5	18.8
All Other Sugar	0.27	9.40	12.42	-24.31	0.34	2.18	2	23.2
Flour	13.90	491.91	473.34	3.92	12.64	80.30	31	16.3
White	9.52	336.82	329.82	2.12	8.54	54.23	16	16.1
Self-Rising	1.15	40.73	37.26	9.31	0.85	5.42	2	13.3
Cornmeal	1.68	59.53	57.96	2.71	1.98	12.56	6	21.1
All Other Flour	0.80	28.20	24.84	13.53	0.83	5.30	5	18.8
Unbleached	0.75	26.63	23.46	13.51	0.44	2.80	2	10.5
Oil & Shortening	25.98	918.03	796.26	15.29	24.60	156.33	52	17.0
Cooking & Salad Oils	19.96	704.97	583.74	20.77	20.74	131.83	45	18.7
Shortening	6.02	213.06	212.52	0.25	3.86	24.50	7	11.5
Baking Chocolate	1.11	39.17	33.12	18.27	1.41	8.97	4	22.9
Chips, All Flavors	5.36	189.56	176.64	7.31	6.12	38.86	10	20.5
Cocoa	0.84	29.77	30.36	- 1.93	1.08	6.85	3	23.0
Stuffing Mixes, Crumbs, Croutons, etc.	5.40	191.13	162.84	17.37	7.19	45.68	34	23.9
Coconut, All Types	1.02	36.63	30.36	18.68	1.49	9.44	7	26.2
Cake Frosting—Canned	1.99	70.50	49.68	41.91	2.51	15.93	12	22.6
Cornstarch	0.27	9.40	6.90	36.23	0.35	2.24	1	23.8
Cake & Cookie Decorations	1.62	57.20	43.76	30.71	3.48	22.08	25	38.6
Dry Yeast	0.66	23.50	15.18	54.81	1.10	7.00	2	29.8
Misc. Baking Needs	1.95	68.93	52.44	31.45	2.74	17.37	15	25.2
Cake Mixes	9.83	347.78	320.16	8.63	10.68	67.76	67	19.5
Angel Food	0.35	12.53	11.04	13.50	0.47	2.98	3	23.8
Chocolate & Devil's Food	2.83	100.26	84.18	19.10	3.05	19.35	18	19.3
Spice, Gingerbread, Applesauce	0.53	18.80	22.08	-14.85	0.62	3.95	4	21.0
White	0.89	31.33	23.46	33.55	1.07	6.77	6	21.6
Yellow, Golden	2.17	76.76	63.48	20.92	2.08	13.20	9	17.2
All Other Cake Mixes	3.06	108.10	115.92	- 6.74	3.39	21.51	27	19.9
Other Mixes	12.49	441.79	401.58	10.01	15.07	95.64	85	21.6
Muffins, Sweet Breads/Rolls	2.26	79.90	63.48	25.87	2.92	18.54	13	23.2
Bread, Biscuits, Cornbread	2.44	86.16	74.52	15.62	2.58	16.37	13	19.0
Brownies, Cookies, Bars	3.28	115.93	126.96	- 8.68	4.00	25.39	20	21.9
Pancakes	1.77	62.66	55.20	13.51	2.19	13.91	18	22.2
Pie Crusts	0.71	25.07	16.56	51.39	0.96	6.12	5	24.4
Cake Frosting Mix	1.59	56.40	53.82	4.79	1.95	12.35	14	21.9
All Other Misc. Mixes	0.44	15.67	11.04	41.94	0.47	2.96	2	18.9
Total	100.00	\$3,536.64	\$3,087.06	14.56	100.00	\$635.04	365	18.0
% of total store volume . . . 2.26%								

BAKING NEEDS

Diet cakes, introduced two years ago, never caught on.

Standouts do exist. Pillsbury's custard-base mix is one strong performer. Duncan Hines' pudding-base mix is another. New bundt cake mixes did well for Pillsbury, and some streusels performed relatively well. Even Betty Crocker's Snackin' Cake and Stir 'n Frost mixes, though they may not have reached the goals originally set for them, still account for about 4% of the market each.

The future? Manufacturers don't like to spoil the impact of new product introductions by talking about them prematurely. But observers see a continuing trend toward more convenient products, more one-step mixes. Quality should continue to improve, and the emerging popularity of microwave ovens should attract more products—including mixes—specially geared for them.

Oil and flour: Flour has experienced steady, though not spectacular, growth since the spring of 1979. The real gainers were dark (rye, whole wheat and the like) flours and a new introduction, bread flours. Each category appeared to benefit from the increased concern with nutrition and cutting down on meat-protein consumption.

Pillsbury, the country's No. 2 flour producer (it and leader General Mills together sell some 60% of the flour shoppers buy), led with the bread flour, a product that needs only leavening and water to be added by the at-home baker. General Mills followed suit with its version.

A related product that experienced its second straight year of record growth is yeast. Originally sold in cubes from the dairy department, which had the refrigerated cases it needed, yeast in powdered form is now a strong mover in the baking needs section. Resurgence in home baking spurred sales volume increases of 48.9% in 1978 and a whopping 54.8% last year.

The oil category experienced both sales and tonnage increases last year. Sales were up 15.3%, and tonnage rose 4%. On a national basis, Procter & Gamble's Crisco oil led with a 24.6% share. Former top-ranked Wesson came in second, with 21.3%. Best Foods' Mazola took in 15.3% of national sales; Hunt-Wesson's Sun Lite sunflower oil had 5.9%; and P&G's Puritan had 5.7%.

The surprise is the lack of growth by the latter two products, widely

touted for their health advantages. Puritan was the first on the market, and its height reached an 8.5% share. Hunt-Wesson's entry was the subject of an aggressive promotional campaign when it was first rolled out, and passed Puritan by a slim lead last year. But the established oils remain the consumers' favorites by far. One veteran analyst sees it as a matter of more publicity about nutrition than commitment to it.

"There's a lot of talk about life-style and health advantages," he says. "But if it was all that significant, peanut oil would have taken off years ago."

Meanwhile, in oil's sister category, shortening, tonnage was down about 1%. The market, however, has been fairly stable for several years. Crisco, the original vegetable-based shortening introduced in 1912, remains the market leader with nearly 60% of sales. □

Unit Movement

The following chart shows each baking needs category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Sugar	458	17.13
Granulated	303	11.33
Confectioners	63	2.36
Brown	82	3.07
All Other Sugar	10	0.37
Flour	242	9.05
White	167	6.25
Self-Rising	15	0.56
Cornmeal	34	1.27
All Other Flour	14	0.52
Unbleached	12	0.45
Oil & Shortening	464	17.33
Cooking & Salad Oils	358	13.37
Shortening	106	3.96
Baking Chocolate	17	0.64
Chips, All Flavors	101	3.78
Cocoa	18	0.67
Stuffing Mixes, Crumbs, Croutons, Etc.	185	6.92
Coconut, All Types	32	1.20
Cake Frosting—Canned	56	2.09
Cornstarch	16	0.60
Cake & Cookie Decorations	12	0.45
Dry Yeast	99	3.70
Misc. Baking Needs	107	4.00
Cake Mixes	348	13.03
Angel Food	9	0.34
Chocolate & Devils Food	105	3.93
Spice, Gingerbread, Applesauce	17	0.64
White	36	1.35
Yellow, Golden	89	3.33
All Other Cake Mixes	92	3.44
Other Mixes	519	19.41
Muffins, Sweet Breads/Rolls	158	5.91
Bread, Biscuits, Cornbread	115	4.30
Brownies, Cookies, Bars	81	3.03
Pancakes	61	2.28
Pie Crusts	34	1.27
Cake Frosting Mix	58	2.17
All Other Misc. Mixes	12	0.45
Total	2,674	100.00



'Value' products post largest gains

Paper, film and foil racked up solid gains last year in both sales and unit movement, but brands played a secondary role in the advance. Behind the 16.5% sales hike and the 3%-4% overall growth in tonnage lies a burgeoning trend toward the "value" product—the secondary label, private label or generic item that consumers seem to feel gives them the most for their money.

"Our value lines are doing better," says an executive at one paper-producing firm. "We see a trend toward the consumer looking for more value. She's taking a much more aggressive look at the market; she's read the papers and finally realized there's a recession on."

Indeed, generic paper items are among the hottest-moving categories in the whole no-brand field, although retailers and manufacturers argue over exactly what that

means. According to Selling Areas Marketing Inc. (SAMI), paper towels, toilet tissue, paper napkins and facial tissue were four of the eight most active items in the generic nonfoods category in November 1979. In SAMI's constant base universe between four-week periods tracked in November 1978 and

November 1979, household plastic bags showed the highest increase in generic nonfood's unit volume, 47%. Next came paper towels, with a 33.8% unit volume increase. Paper and plastic plates showed a 26% increase; paper napkins, 20.1%; facial tissue, 14.5%, and toilet tissue, 10.2%. Only one item in the paper,

Incidence of Purchase (per 1,000 POS transactions)		
Paper towels	Unit sales	Dollar sales
1979	103	\$67.22
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	 +8	 +11
Source: TRIM Inc.		

PAPER, FILM & FOIL

film and foil category showed a decrease—generic aluminum foil fell by 22.7%.

Then again, say some national manufacturers, figures can be misleading. Even with the remarkable growth, one executive says, generics still account for only 6% of the market in paper towels, 4.7% of the market in toilet tissue and 4% in facial tissue.

"When an item is for personal use, people are not as willing to switch to a generic," he says. "Generic paper towels are okay for wiping up a spill, but consumers aren't as willing to use a generic facial tissue on their faces."

Generics notwithstanding, most paper items still surged last year for the leading national manufacturers, including Kimberly-Clark, Scott and Procter & Gamble. While discount stores continued to present a threat to supermarkets in terms of distribution, the food outlets held the upper hand.

The total paper towel market approached \$1 billion in sales, some 86% of which came in supermar-

Incidence of Purchase (per 1,000 POS transactions)		
Bags, plastic & paper	Unit sales	Dollar sales
1979	36	\$44.79
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+6	+11
Source: TRIM Inc.		

kets. Nearly all lines performed well. The action, however, began to come late in the year in the "super towels" department led by Procter & Gamble's Bounty, Scott's Viva and Kimberly-Clark's Teri. American Can, ballyhooing a new manufacturing process, rolled a fresh entry, Bolt, into regional markets with a heavy promotional campaign. Initial results pleased the company.

Foil: Aluminum foil led the way in the wrap category, with some

\$345 million in total retail sales, up from about \$335 million the previous year. Tonnage increased 4%-5%, and observers noted some fluctuation in the different sizes favored by consumers.

"Mrs. Housewife is really becoming more price-sensitive, more sensitive to yield," says one observer, explaining why higher-footage rolls performed well in some geographic areas.

Some 15% to 20% of the alumi-

Paper/Film/Foil: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Freezer Items	0.48	\$ 20.37	\$ 16.56	23.01	0.87	\$ 7.48	8	36.7
Lunch & Sandwich-Size Bags	2.41	101.83	93.84	8.51	3.14	27.09	10	25.6
Plastic	1.67	70.50	64.86	8.70	2.21	19.04	7	27.0
Paper	0.74	31.33	28.98	8.11	0.93	8.05	3	25.7
All Other Size Bags	13.69	576.51	448.50	28.54	18.49	159.25	48	27.6
Paper	0.22	9.40	8.28	13.53	0.45	3.86	1	41.1
Plastic	13.47	567.11	440.22	28.82	18.04	155.39	47	27.4
Roasting Bags & Wrap	0.15	6.27	5.52	13.59	0.18	1.53	2	24.4
Plastic Wrap	1.64	68.93	62.10	11.00	1.99	17.16	8	24.9
Aluminum Foil Wrap	5.95	250.66	219.42	14.24	5.47	47.12	11	18.8
Wax Paper	0.60	25.07	22.08	13.54	0.61	5.22	1	20.8
Facial Tissue	10.20	429.15	422.28	1.63	9.27	79.82	20	18.6
Toilet Tissue	26.55	1,116.99	954.96	16.97	20.62	177.60	28	15.9
Paper Towels	20.66	869.47	741.06	17.33	16.35	140.85	27	15.2
Wet Napkins	0.48	20.37	19.32	5.43	0.64	5.54	4	27.2
Napkins	6.40	269.46	238.74	12.87	6.63	57.13	20	21.2
Paper Table Accessories	0.07	3.13	1.38	126.81	0.11	0.99	2	31.5
Plates & Bowls	5.17	217.76	184.92	17.76	7.66	65.98	32	30.3
Cups & Refills & Plastic Glasses	4.69	197.39	160.08	23.31	6.65	57.24	33	29.0
All Other Paper & Household Wrap Supplies	0.86	36.03	23.46	53.58	1.32	11.35	10	31.5
Total	100.00	\$4,209.39	\$3,614.22	16.47	100.00	\$861.35	264	20.5
% of total store volume . . . 2.68%								

PAPER, FILM & FOIL

num foil business came in discount and other nonfoods stores. But, say observers, the discounters most often will lead with items like aluminum foil, selling two or three rolls for a certain price. Thus, discounters' sales figures are likely to be somewhat lower than those of supermarkets, while their unit figures will tend to be a bit higher.

Flatter than the proverbial pancake in terms of tonnage was the

Secondary and private label, generics are hot as shoppers try to stretch their dollars

standby of another generation, wax paper: "It's a good product, but one that certainly is not going anywhere," one Midwestern chain buyer says. The category has declined slightly each year for a number of years. A slight upturn in units was posted last year, but the increase came more from a switch from 125-ft. rolls to 100-ft. rolls rather than any real surge in movement.

Plastics: The plastic wrap category, meanwhile, held fairly static. Its sales volume in supermarkets increased some 11% during 1979, to \$68.9 million, but overall retail sales fell marginally, from about \$87 million in 1978 to \$86 million last year. Tonnage was relatively stable, with the category posting marginal gains at best. Plastic wrap's primary problem, trade sources say, is not consumer acceptance but the effect of price increases on its raw material, petroleum-based products.

Plastic food bags showed more promising results, although performance could have been hindered by retail prices. The category's sales volume increased by 8.5% in supermarkets and slightly better overall; tonnage inched ahead by a percentage point or so.

The real power in plastic was the large, trash-bag-style category. In terms of national sales, trash bags racked up \$654 million, nearly 10% higher than its \$606 million tally for 1978. The category has been a favorite target of discount stores and similar outlets because of the strong demand. The large plastic bags are cross-merchandised with a variety of items, ranging from trash barrels to rakes and fall-cleaning products.

Many retailers and manufacturers point to the obvious convenience aspects of the bags when describing why they are so popular. A few, however, take a more jaundiced view. Many communities, they say, have passed legislation requiring residents to use large plastic bags for trash pickups.

At the same time, paper bags of all sizes remained static in both tonnage and real sales growth. While the category has shown no genuine improvement for the last five years, observers say it hasn't shown any real decline, either. There's still a sizable proportion of the population, for instance, that likes to take lunch to work or school in paper bags.

Manufacturers, retailers and observers are cautiously optimistic about the future. They're cautious because they say more care must be taken in pinpointing various markets and meeting the needs of those special segments. "You can't just put out a product any more and hope it sells," says one manufacturer. "You've got to know who is likely to buy it and why. And you've got to promote it carefully and effectively."

At the same time, the threatening clouds on the economic horizon spark optimism about improvement in several subcategories. Some products have already shown improvement; other, observers say, will benefit next year. Freezer paper, for instance, showed steady growth last year as more consumers turned to home gardening to help cut food bills. Paper plates, cups and table accessories showed vigorous growth, and manufacturers hope for more as consumers keep turning back to cooking and entertaining at home. Oven bags, which dropped precipitously in performance a few years ago, and then held fast in the sales-and-tonnage basement, may have a promising future if consumers can be convinced that it's more economical to buy and cook large cuts of meat.

And, at the higher end of the income scale, microwave ovens could bring a variety of new specialty items into the market.

For supermarketeters, that's a promising picture. But, observers warn, they must stay on their toes and guard food stores' share of the category from attacks by discount store operators and others. □

Unit Movement

The following chart shows each paper/film/foil category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Freezer Items	14	0.32
Lunch & Sandwich Size Bags	121	2.74
Plastic	79	1.79
Paper	42	0.95
All Other Size Bags	366	8.28
Paper	47	1.06
Plastic	319	7.22
Roasting Bags & Wrap	6	0.14
Plastic Wrap	64	1.45
Aluminum Foil Wrap	216	4.89
Wax Paper	33	0.75
Facial Tissue	617	13.96
Toilet Tissue	1,183	26.75
Paper Towels	1,044	23.63
Wet Napkins	13	0.29
Napkins	347	7.85
Paper Table Accessories	2	0.05
Plates & Bowls	166	3.76
Cups & Refills & Plastic Glasses	183	4.14
All Other Paper & Household Wrap Supplies	44	1.00
Total	4,419	100.00

Soaps, detergents pace steady sales

Like Old Man River, the powerful, \$5.6 billion household supplies category just keeps rolling along.

Buoyed by the soaps and detergents subcategory, which has accounted for slightly more than 50% of sales since 1975, household supplies continue to rack up 1% to 2% gains in tonnage year after year. Last year was no exception. The reason the category doesn't show more dramatic growth—and the reason it is unlikely ever to show any dramatic drop—is that the market is pretty well saturated.

"Growth, particularly in this country, is almost directly tied to population growth," an executive at one manufacturing firm says. "There's almost 100% usage."

Adds an official at another producing company, "People aren't getting any dirtier, although there are seasonal fluctuations."

That's not to say there isn't fierce competition for market dollars and shelf space among leading manufacturers. There is. There also are noticeable shifts between different types of products within each subcategory. But the household supplies category as a whole is relatively stable and unfailingly solid, contributing about 3.5%-4% to overall store volume annually.

Laundry detergents, which ac-



count for more than two-thirds of the soaps and detergents subcategory, posted a 1% to 2% gain in units last year. Sales volume gains were much higher, ranging from 12% to more than 14%, but observers say price increases accounted for a sizable portion. The hikes, they say, primarily resulted from increases in the cost of raw mate-

rials, with other contributions made by higher labor and shipping costs.

Procter & Gamble's Tide maintained its longstanding leadership role, followed by the same firm's Cheer and Lever Brothers' All; all are powdered detergents.

Heavy-duty detergents showed 2% to 3% growth in 1979, although

Household Supplies: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Soaps & Detergents	51.14	\$2,889.24	\$2,495.42	14.93	40.81	\$ 499.96	222	17.4
Laundry & Ironing Aids	14.80	830.47	738.28	12.49	13.76	166.89	134	20.3
Cleansers	17.96	1,007.34	880.82	14.36	20.84	255.30	176	25.3
Waxes & Polishes	4.18	233.89	213.90	9.25	5.75	70.43	80	30.1
Cleaning Implements	5.94	333.70	253.92	31.42	9.89	121.22	95	36.3
Miscellaneous HHS	5.98	335.60	275.46	21.83	8.95	109.64	110	32.7
Total	100.00	\$5,610.04	\$4,856.80	15.46	100.00	\$1,225.24	817	27.0

% of total store volume . . . 3.57%

HOUSEHOLD SUPPLIES

Incidence of Purchase (per 1,000 POS transactions)		
Bar soap	Unit sales	Dollar sales
1979	105	\$50.77
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	N/C	
Source: TRIM Inc.		

their cumulative record over the past few years has been more impressive. They now account for about 25% to 30% of the market. In the liquid segment, Lever Brothers' Wisk, the original entry, maintained its top ranking, followed by Procter & Gamble's Era and Colgate-Palmolive's Dynamo. Taken collectively, the three are about level with, or slightly ahead of, No. 2 powder Cheer, which is far overshadowed by Tide. A promotional battle between P&G and Lever

Brothers kept the market hot, while the moves of Texize's Yes combination-purpose liquid into the East Coast, and Colgate-Palmolive's Fresh Start dry heavy-duty detergent nationally, rounded out the competitive picture.

Bar soap, meanwhile, stayed flat in terms of tonnage growth, although sales volume slightly outdistanced the inflation rate. That didn't mean, however, that things were quiet. The traditional market leaders—Armour-Dial (Dial, Tone),

P&G (Ivory, Zest), Colgate-Palmolive (Irish Spring, Palmolive) and Lever (Lifebuoy, Lux)—have long fought over shares. Now they face a new entry, liquid soaps sold in pump bottles.

Yardley of London was the first to go national with a liquid, although trade reports say the product has had only marginal success. A small Minnesota company, Minnetonka, went national early this year with another version, Softsoap. The new line performed well in 18 months of testing; a yearlong trial in Minneapolis-St. Paul, for instance, showed Softsoap consistently ranking among the top six or seven bar soaps, behind Dial and Ivory but ahead of Irish Spring and Tone. Minnetonka officials predict sales of Softsoap could increase by 50% next year. Other companies are rumored to be considering similar entries.

(Not all new products meet their goals, however, as any marketing manager will admit. One example is children's bubblebath. Once a promising entry, the product peaked in supermarkets several years ago and

Soaps & Detergents: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bar Soap	18.23	\$ 523.25	\$ 451.26	15.95	20.30	\$101.47	61	19.4
Face Size	5.84	167.63	155.94	7.50	6.07	30.34	18	18.1
Bath Size	12.39	355.62	295.32	20.42	14.23	71.12	43	20.0
Hand Cleaners	0.22	6.27	4.14	51.45	0.31	1.56	2	24.8
Children's Bubble Bath	0.17	5.02	5.52	- 9.05	0.27	1.37	2	27.2
Soap Powders/Flakes/								
Washing Sodas	1.37	39.17	23.46	66.97	1.25	6.23	3	15.9
Automatic Dishwasher Items	8.79	252.23	226.32	11.45	10.38	51.94	20	20.6
Detergents	8.41	241.26	213.90	12.79	9.84	49.22	18	20.4
Rinses	0.38	10.97	12.42	-11.66	0.54	2.72	2	24.8
Heavy-Duty Detergents	52.39	1,502.82	1,308.24	14.87	45.24	226.16	75	15.0
Tablets	0.16	4.57	8.28	-44.80	0.06	0.32	1	7.1
Powder, Controlled Suds	19.35	555.15	506.46	9.61	16.99	84.94	32	15.3
Powder, High Suds	21.63	620.38	517.50	19.88	16.64	83.13	24	13.4
Liquids	11.25	322.72	276.00	16.93	11.55	57.77	18	17.9
Light-Duty Detergents	17.09	490.35	437.46	12.09	19.91	99.55	53	20.3
Powder	1.09	31.33	24.84	26.13	1.09	5.45	3	17.4
Liquid	16.00	459.02	412.62	11.25	18.82	94.10	50	20.5
Laundry Bar Soaps	0.27	7.83	5.52	41.85	0.33	1.64	1	20.9
Special-Purpose Laundry Detergents	1.47	42.30	34.50	22.61	2.01	10.07	5	23.8
Total	100.00	\$2,889.24	\$2,495.42	14.93	100.00	\$499.96	222	17.4
% of total HHS volume								

HOUSEHOLD SUPPLIES

has headed downhill ever since.)

Ups and downs: Much of the rest of the household supplies category is a combination of moderate declines and matching increases. One bright area is the fabric softener subcategory, which last year posted a 6% tonnage gain. The real growth here appears to be in dryer-type sheet softeners like P&G's Bounce and Calgon's Cling Free, although liquid fabric softeners have also done well. Liquid softener Downy, another P&G product, leads the field with about 30% of the market. Lever's Final Touch is the second-place liquid.

Posting a drop last year was the cleanser category, which declined about 5% in tonnage. Two liquid entries, P&G's Liquid Comet and Clorox's Soft Scrub, performed far below expectations, trade sources say. The traditional leaders, Comet (P&G), Ajax (Colgate-Palmolive) and various private labels, also lost somewhat in comparison to their performance in past years. The tally puzzled observers, although some suggested it could possibly be tied to a drop in housing construction. The performance of automatic dishwasher detergents, which some analysts also said could be re-



lated to housing construction, was off from its past track record, too, although it still posted a net gain.

Showing sizable growth, however, was the cleaning implement category, with an overall sales gain of 31.4% and above-average tonnage increases. Most of its items, by contrast, had dropped markedly in

1977. Brushes led in volume gains, with a 68% increase, followed by brooms, up 56.1%, and mops, up 41%. The implements category contributes only 5% to 6% to household supplies' overall volume, but apparently supermarketeters are taking increasing interest in the high-margin brushes, brooms and mops. □

Laundry & Ironing Aids: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Off.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bleach & Bleach Substitute	35.48	\$294.82	\$268.06	14.13	26.89	\$ 45.36	23	15.4
Liquid	23.39	194.25	171.12	13.52	15.89	20.81	13	13.8
Dry	12.07	100.26	85.94	15.32	11.00	18.55	10	18.5
Bleuing	0.57	4.79	2.76	79.29	0.68	1.14	1	24.3
Softeners & Conditioners	43.41	\$98.49	\$25.86	18.78	45.07	78.84	39	21.1
Fabric Softeners & Rinses	40.75	338.36	302.22	11.97	42.12	71.06	37	21.0
Water Softeners & Conditioners	2.66	22.10	23.44	- 5.71	2.95	4.97	2	22.5
Starch	3.40	28.28	24.84	13.83	4.09	8.90	7	24.5
Dry	0.19	1.57	1.38	13.77	0.27	0.46	1	29.0
Liquid	0.57	4.70	2.76	70.20	0.67	1.14	1	24.2
Spray	2.64	21.93	20.70	5.94	3.15	5.31	5	24.2
Ironing Aids	1.51	12.88	8.28	51.33	2.54	4.29	3	34.2
For Iron	0.94	7.83	4.14	89.13	1.85	3.12	2	39.9
For Fabric	0.57	4.70	4.14	13.53	0.69	1.17	1	24.8
Laundry Room Hard Goods	2.84	21.83	11.04	95.84	5.33	8.90	8	41.0
Fabric Dyes	1.32	10.97	11.04	- 0.82	2.20	3.71	44	33.8
Pressaks	10.75	89.38	88.32	1.11	11.88	29.00	9	22.4
All Other Laundry Items	0.94	7.88	8.28	- 5.42	1.34	2.28	2	28.9
Total	100.00	\$838.47	\$738.28	12.48	100.00	\$168.99	134	20.3
% of total HHS volume								

TOBACCO PRODUCTS



Marketing know-how put to the test

The nation's cigarette producers waged a fierce 'tar' war last year in an explosive—and costly—bid to light a fire under dormant unit movement. When the smoke cleared, there were more casualties than victors.

Two companies, Philip Morris and Lorillard, succeeded in enlarging their respective market shares. But it came at the expense of the four remaining manufacturers, leading observers to speculate that only the strongest marketers will survive this period of static sales.

"The cigarette industry," concedes Richard Orcutt, Lorillard's vice president of sales, "is now in a horizontal growth pattern."

Nevertheless, cigarettes continue to be one of the most profitable categories in the supermarket. Despite virtually flat unit growth in 1979, retailers rang up over \$6.8 billion in sales for an 11% gain over the preceding year.

With cigarette companies now competing on each other's turf, expenditures to support existing brands and launch new ones have reached feverish levels. In the last three years alone, tobacco companies have spent hundreds of millions of dollars to roll out 55 new brands. In fact, it's no longer unusual for a manufacturer to incur a

\$40 million tab for a single brand introduction.

Low, lower, lowest: Triggering this proliferation of new products is the astounding success of low-tar cigarettes, a segment that has grown from a 15.8% market share in 1976 to its current level of more than 45%.

The frenetic scramble to win over

Incidence of Purchase (per 1,000 POS transactions)		
Cigarettes	Unit sales	Dollar sales
1979	134	\$233.62
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+4	+7
Source: TRIM Inc.		

TOBACCO PRODUCTS

loyal fans has spurred the development of "very low" and "ultra-low" tar brands, culminating in the recent introduction of Cambridge by Philip Morris. At 0.1mg tar (in box), the entry is in the same league as American Tobacco's Carlton and RJR's Now. It's also considered the lowest conceivable level that can accurately be measured.

Perhaps the first manufacturer to sense shifting consumer trends was Lorillard, which in 1975 set down a five-year plan designed to boost market share through a series of low-tar introductions. By the close of '79, reduced-level brands accounted for 80% of the company's sales.

Capitalizing on the effectiveness of "light" extensions, Lorillard last year broke with its 3mg Kent III King Size and quickly captured more than a 1% market share. It also introduced Kent III 100's.

Somewhat below expectations is Triumph, a 3mg cigarette launched last June and barely holding its own with a 0.5% share. "But we have a lot of faith in Triumph, and we expect it to eventually establish a firm hold," says Orcutt.

Lorillard lists one failure among last year's successes: Aspen, another low-tar entry, was scratched after poor market tests.

Perfect record: While Lorillard registered the best percentage gain, Philip Morris scored the high-

est absolute gain for the second year in a row. Little wonder, since the company hasn't had a single blunder in the past five years.

In 1976, Philip Morris pumped \$40 million into the launching of Merit and was rewarded with a 1.5% market share by the end of the first year. In 1979, Merit captured sole possession of the eighth position among the top 10 brands and elbowed out RJR's Vantage as the

Static growth spurs battle for shares as tar levels reach new 'ultra' lows

No. 1 low-tar brand.

Endowed—as is Lorillard—with skillful marketing and merchandising know-how, Philip Morris has grown from the smallest domestic producer less than two decades ago to second behind RJR.

Last year, Philip Morris launched nine new brands and line extensions, while reducing the tar content in seven others. Holding claim to the best-selling cigarette in America, Marlboro, since surpassing RJR's Winston a few years back, Philip Morris now commands the highest percentage of low tar brands sold (13.5%).

One reason cited for Philip Morris' astounding climb up the share ladder is the commitment it makes to supporting existing brands, regardless of the product's ranking. Taking that one step further, while most producers feel an obligation to eliminate slow-moving brands as the category proliferates, Philip Morris sings a different tune.

"Our philosophy's simple," says Richard Medwar, manager of supermarket accounts. "When a brand is discontinued, it essentially opens the door for consumers to switch to a competitor's product. So, unless a brand is an abysmal failure, we stick with it."

Rare endorsement: The good news at American Tobacco Co. is its Carlton brand, last year's fastest-selling cigarette with sales up nearly 50%. Relegated in '78 to 16th place on the top-sellers list, the resounding sales spurt pushed Carlton into 11th place.

Industry analysts credit the huge Carlton gain in part to a 1978 National Institute of Health report which implied that one could smoke a pack of Carlton (0.5mg) daily with a minimal health risk.

RJR revamps: Mention the word Real around RJR circles, and the mood turns sour. That's because the firm's marketers feel publicity over the \$40 million brand's poor performance consistently overshadows other successes. In fact, the indus-

Tobacco Products: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Cigarettes	96.97	\$6,848.42	\$6,182.40	10.77	91.33	\$ 979.32	120	14.3
High-Filtration Brands	23.52	1,660.61	1,429.68	16.15	19.39	211.06	21	12.7
Filters, King Size	45.24	3,195.88	2,870.40	11.34	45.89	499.84	46	15.6
Filters, 100mm	20.41	1,441.28	1,320.66	9.13	18.57	202.21	48	14.0
Non-Filters, Regular Size	5.10	360.32	361.56	- 0.33	5.08	55.31	2	25.4
Non-Filters, King Size	2.70	190.33	200.10	- 4.87	2.40	27.49	3	13.7
Disposable Lighters	0.71	50.17	41.12	22.01	3.10	23.13	5	46.1
Other Tobacco Products	2.32	162.93	178.81	- 8.87	5.57	41.54	141	25.5
Cigars	0.78	54.83	73.90	-25.80	1.55	11.57	61	21.1
Pipe & Cigarette Tobacco	0.78	54.83	49.56	10.63	1.69	12.61	58	23.0
Chewing Tobacco & Snuff	0.47	32.90	30.51	7.83	1.03	7.67	6	23.3
Pipes, Lighter Fluid & Accessories	0.29	20.37	24.84	-17.99	1.30	9.70	16	47.6
Total	100.00	\$7,061.52	\$6,402.33	10.30	100.00	\$1,043.99	266	14.9
% of total store volume . . . 4.50%								

TOBACCO PRODUCTS

try leader is encouraged by the excellent inroads made by new Camel Lights and Vantage Ultra Lights.

But the recent executive changes, most notably the tapping of Ed Horrigan as chairman and ceo, underline RJR's decision to go on the offensive instead of remaining on the defensive. "With Philip Morris now less than four percentage points behind them," notes an industry observer, "RJR is forced to take a more aggressive posture."

One way RJR hopes to attract incremental business is through its Now 100's launched earlier this year, which the company contends is the lowest of the 100's with 2mg tar. More importantly, RJR expects 80% of the new brand's sales to come from female smokers, a segment in which RJR is admittedly weak.

Market tailspin: Perhaps the harshest evidence of what shifting demographics and flat growth can do to an operation is in the case of The Liggett Group. Once boasting a 22% share of the cigarette market, the firm's cigarette division ended 1979 with a paltry 2.8% share. Essentially, Liggett's decline can be traced to the fact that most of its brands are full-flavor products.

Nevertheless, British conglomerate Grand Metropolitan Ltd., which already owns 9.5% of Liggett, recently acquired an additional 80% of the cigarette marketer's common stock. The offer had originally been opposed by Liggett.

Time-worn merchandising: While the tug-of-war over market shares intensifies among the cigarette giants, food retailers continue to rake in enormous profits from the category. The fact that cigarettes outperform every other billion dollar nonperishable product category in supermarkets is a feat in itself. But considering that the methods most supermarketiers currently employ to merchandise cigarettes are outdated and inadequate, the category's performance is all the more phenomenal.

"Today, the supermarket industry is not aware of cigarettes' value as a profit center," says Lorillard's Orcutt. "Most view it as a necessary commodity, but more as a draw than anything else."

The main issue is space, or lack of it. But beyond that, even those retailers allocating more selling area are using unsophisticated share-of-market approaches instead of more accurate share-of-sales figures.

Unfortunately, it's difficult to



change old merchandising habits. Aside from treating the cigarette section as a draw for customers, contractual agreement for endcap space allocations severely impair proper brand facing and category integration. In other words, the shelf payments offered by manufacturers impede the sales of cigarettes in supermarkets more than anything else.

Ever so slowly, supermarketiers are beginning to realize the benefits of properly merchandising cigarettes. Witness the advent of rear-extendors, a merchandising tool more and more supermarkets are utilizing to increase facings within a minimum amount of space.

"What we're witnessing," offers one industry analyst, "is a slow but steady progression by the food industry toward total acceptance of cigarettes as a viable department."

Amid the ashes: In contrast, cigars appear to be losing appeal, at

least in supermarkets. The erosion of sales through most of the 70's took its sharpest plunge last year, with retail dollar volume faltering more than 25%. Today, cigars account for less than 1% of the total tobacco category.

"Supers traditionally sell low-priced cigars," explains a spokesman for U.S. Tobacco Co., "and those are the ones diminishing in customer preference."

A number of retailers report significant increases in sales of expensive cigars, but purchasers of these brands normally shop in other retail outlets.

Outlook for '80: Despite persistent pressure by anti-tobacco crusaders to undermine the category's social acceptability, manufacturers are convinced that there will be no erosion of sales. In fact, some observers feel that the dramatic shift to reduced tar brands will serve to soften the controversy. □



Bigger sections boost dollars 25%

Many more shoppers flocked to supermarkets in 1979 to fill their health & beauty aids needs. Reasons? The gathering momentum of the one-stop-shopping trend, fueled by spiraling gasoline prices and the working woman's quest for convenience, sparked bigger demand for supermarket H&BA. Retailers reacted by allotting more space to the category in order to boost offerings to consumers.

Thanks to the larger departments and the increased shopper

demand, grocery store H&BA unit volume soared an impressive 25% in 1979 over 1978. Translated to dollars, shoppers doled out a record \$7.8 billion for H&BA items, vs. \$6.2 billion the previous year. H&BA represented almost 5% of total supermarket store sales in '79.

Inflation—pegged conservatively at 11%-13%—produced a major part of that increase. Yet it wasn't the high rate of inflation alone that gave supermarkets more H&BA dollars. More shoppers actually bought more items from expanded H&BA departments.

Retailers helped sales along by fielding more aggressive promotional efforts. They upped print advertising, bolstered in-store promos and took greater advantage of manufacturer deals and special buys to become more price-competitive.

H. E. Butt instituted a "10% extra discount" program. By taking advantage of increased supplier deals, the chain was able to "reduce our retails by 10%" on certain items.

At New York City-based Sloan's Supermarkets, Jules Rose, board chairman and executive vice presi-

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dent, reports a "big increase in promotions" at retail level. "We used to feature two to four ads backed up by in-store promos per week. Now we've gone to four to eight weekly." He also notes a hike in the number of prepacks now available to supermarkets.

Most supermarketers also widened the variety of lines offered in 1979. According to Mike Wallace, president, Towne-Oller, "We've continued to see the introduction of brands and categories that were formerly drug store-oriented—lines like contraceptives and diet aids."

Bigger did better: Whatever items shoppers bought in '79, they generally chose the larger sizes across the board. Apparently consumers are growing more aware than ever of price/value relationships. Furthermore, unit pricing clearly shows that big sizes yield better value. "The increased cost per ounce to shoppers will logically cause them to move to larger sizes to fight inflation," explains Wallace.

The trend to larger sizes also accounts for part of the rise in dollar volume because, very simply, bigger sizes carry higher tickets. Additionally, a general upgrading by retailers—carrying higher-priced but better-quality items—pushed 1979's dollar volume upward.

Do-it-yourselfers also found more of their needs in supermarkets this year. Shoppers are tinting their own hair and giving themselves permanents in order to avoid the higher costs of beauty parlors.

Brands still winning: Generics and private label H&BA did not fare too well in 1979, reports Wallace, mostly because of the proliferation of nationally branded items. "National brands tend to put the squeeze on private label. It's not the other way around," says Wallace.

The increased space, promotion and general upgrading pushed profits to the \$2.1 billion mark in supers in 1979. Margins ranged from a low of 19% for toothpaste to 63% for hair care accessories. Most items hovered in the 25%-33% area.

Despite ballooning inflation, more space and beefed-up promos sparked real growth

Old stand-by categories still lead in terms of dollar volume. The top five categories were dentifrices, \$661.24 million; disposable diapers; \$647.01 million; shampoos, \$564.06 million; deodorants; \$562.41 million, and pain relievers, \$487.35 million.

Among leading dollar gainers were eye makeup, up 37.16%; stick deodorants, up 50.26%; beauty creams and body lotions, up 32.61%, and pre- and after-shave lotions, up 33.08%.

Retailers, wholesalers and suppliers agree, though, that while four categories—cosmetics, diet aids, vitamins and lotions—don't

have the dollars behind them yet, they're slated for stardom in the 80's. Cosmetics, posting a 25.48% hike in 1979, should grow at least that much in 1980 as supermarkets take a more aggressive stance and suppliers work harder to win more footage.

Diet aids will be a bigger factor in the 1980's as new entries proliferate and weight-conscious shoppers seek out these items on supermarket shelves.

Vitamins, a highly profitable, high-ticket category, will get more super space as health-minded consumers demand more A's, B's, C's and E's from supermarket retailers.

Lastly, hand and body lotions will see more shopper activity since staying younger-looking is a national mania. Shoppers born early in the "baby boom" will boost sales of these items as they search for a way to keep skin younger-looking.

But while the outlook for supermarket sales of H&BA is bright, retailers and suppliers must contend with some harsh problems.

Inventory squeezing: Tightened credit and the high cost of money made inventory investment a real thorn in supermarket's sides. Towne-Oller reported lowered shipments "probably due to inventory reductions. And there's no question that stockouts were greater because of inventory constricting."

In 1979 retailers kicked out many slow movers and toughened turn and ROI requirements. Some, such as Smitty's in Arizona, increased use of planograms to keep closer

Health & Beauty Aids: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/Brands/Sizes at Whse.	Avg. Gross Margin (% of Retail)
Hair Care	16.73	\$1,306.64	\$1,038.52	25.82	18.41	\$ 398.46	549	30.5
Creams & Lotions	5.20	405.76	320.48	26.61	5.79	125.37	155	30.9
Oral Hygiene	15.63	1,220.53	983.23	38.19	13.22	286.14	172	23.4
Medications	20.86	1,629.27	1,361.78	19.64	22.47	486.42	449	29.9
First Aid	2.65	206.80	170.17	21.53	3.41	73.87	71	35.7
Men's Toiletries	7.55	589.87	496.78	18.74	7.74	167.63	141	28.4
Baby Needs	13.22	1,032.40	810.06	27.45	9.89	214.00	115	20.7
Cosmetics	4.62	361.19	287.85	25.48	6.46	139.76	272	38.7
Personal Hygiene	13.54	1,057.83	865.80	22.18	12.61	272.76	240	25.3
Total	100.00	\$7,810.29	\$6,234.68	25.27	100.00	\$2,164.41	2,164	29.3
% of total store volume . . . 4.44%								

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Incidence of Purchase (per 1,000 POS transactions)		
Deodorants	Unit sales	Dollar sales
1979	16	\$23.15
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	N/C	
Source: TRIM Inc.		

super-gearred prepacks to spark sales.

Interestingly, the industry may be turning an economic dilemma into a marketing opportunity. Worry over inventory investment is prompting retailers to get rid of the dead weight and encouraging suppliers to pay more attention to supermarkets' special needs. Competition is fierce, but tough competition has always triggered sharpened merchandising techniques.

More exact monitoring of item movement and profits and the increase in computer-generated data will put suppliers and distributors under the gun to boost turns and increase ROI or risk losing space to faster selling items.

Medications: Consumers seeking relief from 1979's stresses and strains boosted the sale of medications to \$1.6 billion, up from \$1.3 billion in 1978. Medications captured almost 21% of total H&BA store volume.

Shoppers seeking headache remedies boosted the pain relief category about 31% in 1979 to bring total

tabs on inventory. Kim Roberts, pharmacy buyer, says Smitty's "instituted planograms for individual items on each shelf to make sure each store has the item it needs and knows exactly where it's supposed to be. That gives us an easy way to tell what's moving. The manager knows that if they had 12 items and now have six, he needs to order only six more. It's a much more exacting system."

Tight money has also reignited the service vs. nonservice battle.

The union question comes into play here because, in some areas, union labor costs make nonservice even more expensive than service.

Suppliers are growing more worried about inventory cuts. Many find retailers ordering smaller quantities more frequently, which complicates production. To entice supermarkets to keep orders high, many suppliers are offering more special buys and longer buy-in periods. They're also stepping up couponing and developing more

H&BA/Medications: 1979 Performance—\$1 Million Supermarkets

	% of Dept. Sales	Sales			Profit		Assortment Items/ Brands/ Sizes at Whse.	Margin Avg. Gross Margin (% of Retail)
		1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)		
Stomach Relief	17.13	\$ 278.91	\$ 260.82	6.94	16.06	\$ 78.09	72	28.0
Antacids	11.83	192.69	143.52	34.26	10.54	51.26	41	26.6
Laxatives	4.43	72.12	100.74	-28.40	4.60	22.36	26	31.0
All Other Stomach Relief Products	0.87	14.10	16.56	-14.85	0.92	4.47	5	31.7
Cold Symptom Relief	24.13	393.22	300.84	30.71	24.00	116.74	110	29.7
Pills & Capsules	9.13	148.83	128.34	15.97	8.20	39.89	36	26.8
Cough & Sore Throat Products	9.52	155.09	106.26	45.95	9.98	48.54	45	31.3
All Other Cold/Allergy Symptom Relief	5.48	89.30	66.24	34.81	5.82	28.31	29	31.7
Pain Relief	29.90	487.35	371.22	31.28	25.53	124.23	82	25.5
Internal	25.67	418.42	322.92	29.57	21.07	102.51	60	24.5
External	4.23	68.93	48.30	42.71	4.46	21.71	22	31.5
Stimulants & Sedatives	1.44	23.50	27.60	-14.85	1.59	7.73	10	32.9
Vitamins & Tonics	16.35	286.32	228.80	16.40	19.22	93.48	99	35.1
Foot Care	2.02	32.90	28.98	13.53	2.43	11.81	39	35.9
Eye Care	2.40	39.17	31.74	23.41	2.56	12.46	13	31.8
Rubbing Alcohol & Witch Hazel	1.83	29.77	20.70	43.82	2.42	11.76	5	39.5
Diet Aids	1.66	27.04	0.00	0.00	1.97	9.60	3	35.5
All Other Medication & Medical Needs	3.14	51.09	81.08	-43.90	4.22	20.54	16	40.2
Total	100.00	\$1,629.27	\$1,361.78	19.64	100.00	\$486.42	449	29.9
% of total H&BA volume . . . 20.86%								

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H&BA/Hygiene Needs: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Sanitary Goods	40.87	\$ 432.39	\$365.61	18.20	33.44	\$ 91.22	58	21.1
Napkins	20.29	214.63	194.69	10.24	16.13	44.00	26	20.5
Tampons	19.99	211.49	166.98	26.66	16.75	45.68	28	21.6
Belts & Other Accessories	0.59	6.27	4.14	51.45	0.56	1.54	4	24.5
Feminine Hygiene Products	5.37	56.76	49.68	14.25	7.18	19.58	32	34.5
Deodorant & Antiperspirants	53.17	562.41	443.41	26.84	58.51	159.60	147	28.4
Spray	20.74	219.33	187.68	16.86	21.95	59.88	50	27.3
Roll-On	17.92	189.56	143.86	31.77	19.60	53.46	46	28.2
Cream	1.63	17.23	15.18	13.50	1.96	5.36	5	31.1
Stick	6.66	70.50	46.92	50.26	8.17	22.28	20	31.6
Pads	0.30	3.13	2.76	13.41	0.39	1.08	1	34.4
All Other Deodorants & Antiperspirants	0.44	4.70	19.32	- 75.66	0.53	1.44	2	30.6
Powder	5.48	57.96	27.69	109.32	5.91	16.11	23	27.8
All Other Hygiene Needs	0.59	6.27	6.90	- 9.12	0.87	2.36	3	37.7
Total	100.00	\$1,057.83	\$865.80	22.18	100.00	\$272.76	240	25.8

% of total H&BA volume . . . 13.54%

sales to \$487.35 million. Internal relievers brought in the bulk of those dollars, accounting for \$418.42 million in 1979.

The "medicate yourself" trend, now more acute than ever due to soaring medical costs, showed up in cold symptom relief sales that totaled \$393.22 million in 1979, a jump of almost 31% over 1978. Pills and capsules accounted for \$148.83 million of those sales. Cough and sore throat products grabbed \$155.09 million of that total.

A quick glance at 1979's world news headlines is the only explanation one needs to understand why consumers spent \$278.91 million in supers for stomach relievers. Antacids made up most of that sum, ac-

counting for \$192.69 million. Laxatives fell off about 28%, mostly due to lack of new entries and consumer reliance on more natural methods of relief.

Stimulants and sedatives also saw a decline of almost 15% since 1978, mostly because of the growing consumer concern over the safety of these items.

One of the main factors responsible for the growth of supermarket sales of medications was that pharmaceutical firms, once strictly drug store-oriented, are pumping more money into beefing up food trade business.

Menley and James has upped its TV advertising and increased couponing in 1979. One source at M&J

notes the company is using more dating, especially on special brands such as highly seasonal A.R.M. and Teldrin.

The firm plans to push for more off-shelf displays in supers and to continue the prepack program.

Dorsey Labs, which just started to pursue the food trade in 1979, hired a broker sales force to handle food stores. Reports Ron Scroggins, product manager, "We ended the year with 50 brokers to go after food stores in direct sales."

To encourage retailers to buy Dorsey products, the firm is continuing deals and special buys and has also extended the buy-in period for direct accounts on deals. Dorsey is also trying to get supermarket space for formerly drug-only items, such as Triaminic-D.M.

Other firms that have been in the food trade for years are seeing solid growth in the medications category. At Miles Labs, Alka Seltzer Blue still sells best, but Alka Seltzer Gold and Alka Seltzer Plus, a cold remedy, are also doing well, according to Imogene Kulp, market research analyst, Miles Labs, consumer products division.

At Plough, St. Joseph's products for children are the best-selling items in food stores. One source claims the increase in units and dollars for St. Joseph's products was

Incidence of Purchase (per 1,000 POS transactions)		
Sanitary tampons	Unit sales	Dollar sales
1979	8	\$12.07
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+13	+16

Source: TRIM Inc.

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due to "More direct attention to food store needs, more couponing and displays better suited to super-market sales."

Vitamins: American consumers are "thinking health" and buying vitamins in food stores in ever-growing numbers. Purchases show heavy stress on extra-potency as well as standard lines.

Food store dollar volume for 1979 totaled \$266.32 million, a jump of about 16½% over 1978. The relatively high tickets on these items account for much of the dollars, but units also have seen hikes.

One-A-Day enjoyed both package and dollar hikes in 1979, reports Imogene Kulp, market research analyst, Miles Labs, Consumer Products division. She notes greatest increases in the iron and mineral lines and in the larger 100-tablet sizes as opposed to 60's. Also, following the trend to specialty vitamins, Miles introduced both Flintstones and Bugs Bunny lines with extra C.

Lee Coscino, Rexall's director of special markets, is another who sees the higher potency vitamins as big this year. In multiples, Coscino reports, Super Plenamins Extra Strength continues to move well. In the alphabet vitamins (A, B, C, etc.), the bigger dosages, such as the 500mg strength, are selling best.

At Vita Fresh, 70% of the company's total business is now done through supermarkets, according to Jim Martin, board chairman. He



agrees that the trend is toward higher-potency lines and emphasizes that the category should continue to see greater gains in food stores in the 80's.

Pharmavite, for years a successful vitamin firm for the drug store trade, is now adapting its successful

drug program to supers so that it "fits into their method of doing business." One play Pharmavite will be using is a six-month promotion on key items in its line that, according to a source, will be a "first for the industry."

Only one supplier reports an in-

H&BA/First Aid: 1979 Performance—\$1 Million Supermarkets

	% of Dept. Sales	Sales			Profit		Assortment Items/ Brands/ Sizes at Whse.	Margin Avg. Gross Margin (% of Retail)
		1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)		
Bandages & Tapes	49.24	\$101.63	\$ 84.10	21.08	50.11	\$37.01	34	36.3
Adhesive Bandages	36.36	75.20	64.19	17.15	36.45	26.92	20	35.8
Gauze & Bulk Bandages	6.06	12.53	9.78	28.12	6.46	4.77	7	38.1
Adhesive Tapes	6.82	14.10	10.13	39.19	7.20	5.32	7	37.7
Cotton & Cotton Balls	18.18	37.60	26.22	43.40	17.00	12.56	9	33.4
First-Aid Preparations	28.79	59.53	49.68	19.83	28.65	21.16	23	35.5
Petroleum Jelly	12.88	26.63	20.70	28.65	11.50	8.50	5	31.9
All Other First-Aid Preparations	15.91	32.90	28.98	13.53	17.15	12.67	18	38.5
First-Aid Kits	0.76	1.57	3.46	-54.61	0.71	0.53	2	33.5
All Other First-Aid Items	3.03	6.27	6.71	- 6.55	3.53	2.61	3	41.6
Total	100.00	\$206.80	\$170.17	21.53	100.00	\$73.87	71	35.7

% of total H&BA volume . . . 2.65%

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crease in smaller sizes. According to Carol Whitlow, food broker marketing coordinator for Squibb, "People don't have the money to buy the large sizes. They'll put out \$3 for 30's rather than the \$9 for the larger size."

Perhaps this indicates that shoppers have their price/value limits. They'll try to save pennies by buying big on such relatively low-ticket items as shampoo. But once the retail hits a certain point, such as on high-ticket vitamins, they'll trim the immediate cash outlay and opt for the lower-priced items.

Diet aids: Of the over 80 million overweight adults in the United States today, 40 million of them dieted within the last year. Without a doubt, women 18-49 years old are the heaviest users of diet products and programs.

Industry figures report the diet aid category represents retail sales of over \$100 million annually. It's no wonder that supermarketeters are trying to help themselves to a bigger slice of the diet pie. And judging from the over \$27 million supers took in in 1979, they've got a good start.

Dexatrim, from Thompson Medical, sparked solid movement in diet aids for supers. A company spokesman notes that 13% of the diet aid market is now in supers. Thompson Medical now offers Prolamine, Ap-

pedrine and new caffeine-free Control to the food trade. The company is also taking an aggressive promotional stand this year, according to one source, and will allot \$27 million for its ad budget, a big jump from 79's \$10 million ad tab.

Menley and James recently jumped on the diet aid bandwagon with Dietac. As part of the introductory offer, M&J tucked a coupon good for repurchase inside each pack of the new entry.

Larger sizes, solid sales marked key trends. Hot sections: vitamins, diet aids

Overall, the growth of the category in food stores is the result of a combination of three trends: (1) greater consumer demand brought about by increased acceptance of products now that the Federal Drug Administration has put its stamp of approval on many of the items, (2) retailers allotting more space to the items, and (3) suppliers beginning to broaden assortment and beef up advertising and promotional support.

Personal hygiene: Many more Americans are putting personal hy-

giene items on their supermarket shopping lists because of the convenience of one-stop shopping. Since it's convenience and price that determine where brand-loyal personal care shoppers make their purchases, supers are gaining ground on other retail outlets.

Supers now account for about 63% of the total sanitary protection business in 1979, according to a major market audit firm.

Chain Store Age places supermarket dollar volume for sanitary napkins, tampons, belts and accessories at over \$432 million, an increase of 18% over 1978.

The proliferation of tampon entries—most notably Rely, O.B., Tampax and Playtex brands—pushed tampon dollar volume up more than 26% over 1978 and marked a key sanitary protection trend in 1979.

Also in the '79 personal care headlines was the advent of smaller, lighter napkins. Suppliers who both created and capitalized on the trend established a very segmented market consisting of regular, maxi, mini, beltless, thin and ultra-thin pads—all of which are elbowing for greater market share. Johnson & Johnson's newest entry, Sure and Natural, a "full-size, beltless product with one-third the thickness of a regular napkin," is pushing the segmentation to its outer limits.

H&BA/Creams & Lotions: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Medicated Creams, Lotions & Soaps	30.88	\$125.33	\$ 93.84	33.56	31.49	\$ 39.48	49	31.5
Acne Preparations	15.83	64.23	46.92	36.85	16.55	20.75	23	32.3
All Other Medicated Creams & Lotions	10.42	42.30	31.74	33.27	10.32	12.94	15	30.6
Medicated & Specialty Bar Soaps	4.63	18.80	15.18	23.85	4.62	5.79	11	30.8
Suntan Products	8.11	32.90	40.69	- 19.13	8.55	10.73	23	32.6
Beauty Creams & Lotions	50.97	206.79	155.94	32.61	49.89	62.53	66	30.2
For The Face	18.92	76.76	42.78	79.43	18.24	22.87	23	29.8
For Hand & Body	32.05	130.03	113.16	14.91	31.65	39.66	43	30.5
Depilatories & Ladies' Shaving Supplies	7.34	29.77	24.84	19.85	7.24	9.08	12	30.5
All Other Creams & Lotions	2.70	10.97	5.17	112.19	2.83	3.55	5	32.4
Total	100.00	\$405.76	\$320.48	26.61	100.00	\$125.37	155	30.9

% of total H&BA volume . . . 5.20%

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Incidence of Purchase (per 1,000 POS transactions)		
Shampoos	Unit sales	Dollar sales
1979	14	\$23.88
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number		
Source: TRIM Inc.		

Retailers are hard-pressed to find more space for all these bulky skus, and suppliers are obviously dissatisfied with supers' response. Notes one J&J source, "The food trade still maintains the same space for sanitary napkins that it did five years ago. They're just not giving the consumer adequate choice—or the products adequate space. Stockouts have increased considerably."

To entice retailers to buy more products and up space allocation, J&J is extending dating, increasing

trade allowances and turning out "a high degree of couponing."

While consumers are trying to keep dry with antiperspirants and deodorants, the category is enjoying healthy sales.

Total deodorant and antiperspirant category is up almost 27% in 1979. Dollar volume amounted to over \$562 million. Sprays and roll-ons continue to lead category sales, but roll-ons are growing at a greater rate—they're up almost 32% over 1978. Roll-ons and sticks crimped pump and aerosol sales,

though sprays did increase over 16%.

Industry sources say "watch out for the stick," which is catching shoppers' attention. Nineteen seventy-nine saw two new entries, Secret and Sure stick.

First aid: The self-medication trend extends to first aids, too. The entire category showed solid sales increases over '78. In overall dollars, first aid treatments amounted to over \$206 million in 1979.

First aid preps rose almost 20%, with petroleum jelly making up most of the dollars. First aid kits dropped significantly, as fewer supers opted for a complete kit and more shoppers bought only the individual items they needed.

First aid accounted for 2.65% of total H&BA store sales in '79.

Creams and lotions: Creams and lotions grabbed a respectable 5.2% of total H&BA store sales dollars in 1979. The entire category totaled over \$405 million in '79, up almost 27% over 1978. Obviously, while much of the sales dollars came from inflation, real growth was evident.

Suntan product sales, however, faded in 1979—mostly because of

H&BA/Hair Care: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)		
Hair Care Accessories	5.28	\$ 68.93	\$ 64.86	6.28	10.19	\$ 40.66	81	58.8
Combs & Brushes	1.92	25.07	23.46	6.86	3.61	14.37	27	57.3
Curlers & Rollers	0.72	9.40	11.04	-14.85	1.41	5.61	9	59.7
Pins & Clips	0.60	7.83	16.56	-52.71	1.25	4.98	12	63.6
All Other Hair Care Accessories	2.04	26.63	13.80	92.97	3.92	15.61	33	58.6
Hair Sprays								
[Women's or Unisex]	17.39	227.18	172.50	31.89	15.51	81.79	80	27.2
Setting Lotion & Gels	0.84	10.97	9.66	13.66	0.91	3.64	8	33.2
Conditioners	13.19	172.33	131.10	31.45	13.36	53.25	58	30.9
Misc. Hair Preparations	0.72	9.40	24.69	-61.92	0.72	2.87	8	30.5
Hair Coloring Products	10.67	139.43	106.16	31.34	8.89	36.42	126	25.4
Home Permanents & Curl								
Relaxers	2.04	26.63	19.98	33.28	2.13	8.47	17	31.8
Shampoos	43.16	564.06	436.43	29.24	41.02	183.51	143	29.0
Dandruff Shampoos,								
All Types	5.74	75.02	98.69	-23.97	5.23	20.86	15	27.8
All Other Liquid Shampoos ...	28.90	377.68	279.91	34.93	28.33	112.93	102	29.9
All Other Types of Shampoos .	8.52	111.36	57.83	92.56	7.46	29.73	26	26.7
Creme Rinses	6.71	87.73	73.14	19.95	7.27	28.95	28	33.0
Total	100.00	\$1,306.84	\$1,038.52	25.82	100.00	\$398.46	549	30.5

% of total H&BA volume . . . 16.73%

HEALTH & BEAUTY AIDS

H&BA/Oral Hygiene: 1979 Performance—\$1 Million Supermarkets

	% of Dept. Sales	Sales			% of Dept. Profit	Profit		Assortment Items/Brands/Sizes at Whse.	Margin Avg. Gross Margin (% of Retail)
		1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.		Gross Profit Dollars (Millions)			
Denture Needs	10.78	\$ 131.60	\$102.12	28.87	13.52	\$ 38.69	36		29.4
Dentifrices	54.18	661.24	449.91	46.97	44.24	126.60	56		19.1
Toothpaste	53.02	647.14	440.22	47.00	42.73	122.31	52		18.9
Tooth Powder	0.39	4.70	2.76	70.29	0.55	1.56	2		33.2
Tooth Polish	0.77	9.40	6.93	35.64	0.96	2.74	2		29.1
Toothbrushes	7.06	86.16	74.52	15.62	13.04	37.31	31		43.3
Mouthwash & Breath Sprays ..	25.54	311.76	235.98	32.11	25.39	72.64	39		23.3
All Other Oral Hygiene Needs ..	2.44	29.77	20.70	43.82	3.81	10.90	10		36.6
Total	100.00	\$1,220.53	\$883.23	38.19	100.00	\$286.14	172		23.4
% of total H&BA volume . . . 15.63%									

the run of bad weather during the past summer season—though profits still hit \$10.73 million.

The subcategory to watch is beauty creams and lotions. As a whole, sales rose 32.61% in supermarkets in 1979. Translated into dollars, supers took in \$206.79 million last year. Hand and body creams got the lion's share, capturing \$130.03 million in 1979. Face creams, however, soared almost 80% to bring its total volume to \$76.76 million.

This year promises even greater growth in the beauty cream category with two major companies, Maybelline and Vidal Sassoon, introducing skin treatment lines. Company sources report good early sales.

Hair care: Ever since Farrah Fawcett tossed her shiny mane in full view of TV audiences, the rage for glossy, healthy hair has been in full swing.

Shampoo marketers need only

look at 1979 supermarket figures to delight in resulting sales—shampoos alone grabbed \$564 million in supermarkets this year, up about 30% over 1978. Shampoos continue to rate as the top-selling H&BA category.

The "tress stress" in full force around the country involves daily shampooing and blow drying. To do that, consumers bought enough shampoo to wash about 7% more heads in 1979 than in 1978, estimates a noted audit research firm. Shoppers lost interest in flavors and fragrances and reached for conditioners designed to offset any damage from too-frequent shampooing.

The after-shampoo market also benefited from the shampooing boom. Conditioners climbed almost 32% over 1978, bringing the total supermarket dollar volume to \$172.33 million in 1979.

Suppliers reacted by throwing their support behind the conditioning trend. Wella, for example, just

added a dry formula to its line of regular and oily Balsam shampoo.

Clairol dropped its ad push for Short & Sassy and beefed up support of its conditioning shampoo. Now it's testing Touch of Yogurt shampoo, another conditioning-type product. Procter and Gamble is testing Head & Shoulders conditioning shampoo.

P&G's Pert conditioning shampoo promises to get full promotional support from the H&BA firm. Body on Tap is coming out with a new conditioner, and J.B. Williams is testing Healthworks conditioning shampoo this year.

Gillette's personal care division also takes the conditioning craze very seriously. Its newest entry, Silkience Self-Adjusting shampoo in both regular and extra body, is backed by over \$30 million in promotional support in 1980. The shampoo follows on the heels of successful Silkience conditioner.

Derwyn Phillips, president of Gillette's PCD, believes that much of the growth in shampoo and conditioner sales for his firm will come from supers. Notes Phillips, "This segment of our market has increased by about 20% over the year in supers."

Vidal Sassoon's line of hair care, made up of shampoo, conditioner and finishing rinse, no doubt helped build shopper interest in full-treatment hair care. Notes Laurance Taylor, senior corporate vice president, advertising and creative services, "I think that the mass market customer is understanding the difference between in-and-out prod-

Incidence of Purchase (per 1,000 POS transactions)		
Dentifrices	Unit sales	Dollar sales
1979	40	\$40.07
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	+8	+15
Source: TRIM Inc.		

HEALTH & BEAUTY AIDS

ucts and those that have real credibility. Customers read the package and know the ingredients."

In 1979, food stores contributed 41% of Sassoon's shampoo business, up from 31% in 1978. Also in 1979, 42.8% of the firm's after-shampoo business came from food stores, a 13.4% gain over '78.

Not only did shoppers buy more conditioning-type hair care items, they also bought larger sizes.

According to Bob Kelly, national sales manager, Helene Curtis, "We saw the consumer going to larger sizes. The 28-oz. Suave was extremely successful for us this year."

Says Wella's vice president sales, Ed Denton, "Our distribution of the 16-oz. size has doubled in the past two years." He attributes this to the "consumer voting for it with her pocketbook" and to Wella's "aggressive promoting." A recent 40¢-off promo moved product fast, reports Denton.

Apparently, the do-it-yourself trend is also having an impact on the H&BA category. Hair coloring jumped over 31% in 1979. Home permanents and curl relaxers, sparked by Rave and Tony's Light Waves, increased 33.28%. Shoppers are obviously a lot less willing to dole out dollars to hairdressers when they can try it themselves at home.

Oral hygiene: The media's push to "flash a white, toothy smile" and the American consumer's growing interest in overall health care kept

dentifrices high on the list of dollar volume leaders.

Dentifrices managed to rack up \$661.24 million in 1979, an increase of almost 47% over 1978. Toothpaste alone posted sales of \$647 million, a solid jump of 47% over 1978.

One of this year's toothpaste trends was a move to larger sizes—note P&G's introduction of a 9-oz. super-size in 1979. But the biggest story for the food trade was that Beechum's Aqua Fresh stole an outrageously high market share within the first few months of its introduction. Beechum smartly positioned the product between a fluoride and a breath freshener—two hot spots with today's consumer.

As for mouthwash, the category dollar sales climbed over 32% (including breath sprays) in 1979 to reach \$311.76 in sales. In ounces sold, however, the category was flat.

Explains Tom McClintock, manager, customer services for P&G, "A year ago, the category had an annual growth rate of about 5%-6%. Signal was trying to get in, Listerine brought out new colors and flavors. All of it resulted in a good deal of pricing sensitivity that boosted the whole category.

"But now the population hasn't grown that fast, so the market has leveled out."

Brand leaders are Listerine, Scope and Signal.

Men's toiletries: The influx of

male shoppers into the supermarket aisles has sparked solid sales in men's toiletries and shaving needs.

Overall shaving cream sales in '79 amounted to \$103.39 million, an increase of almost 34% over 1978. Supers got dollar gains in every subcategory of shave creams save brushes and lather, which expectedly dropped almost 25%.

If shaving cream sales are up, it follows that razor sales will experience parallel growth—and that was certainly the case for 1979. Razor blades jumped almost 36% to total more than \$271 million. Razors and kits rose about 25%.

While disposable razors showed a healthy climb of 25% to a total supermarket sales volume of over \$40 million, this category bears watching due to some extensive promotional support from Gillette and Bic. The two disposable razor giants combined spent well over \$10 million in 1979 in consumer advertising; sampling and promo allowance boosted that total even higher.

The trend in disposables is to multipacks, according to a Bic spokesperson. The firm is selling out its current 4-packs to make way for newly released 5-packs.

Another trend is the polarization of the razor market. Upgrade Atra and Ultrax posted good sales gains in 1979, as did low-end disposables. It all points to shoppers opting for high quality despite high price and

H&BA/Toiletries: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Shaving Cream	17.53	\$103.39	\$ 77.28	33.79	17.75	\$ 29.75	44	28.8
Brushes & Lather	0.53	3.13	4.14	-24.39	0.58	0.97	3	30.9
Aerosol, Plain	8.83	57.96	41.40	40.00	9.89	16.58	17	28.6
Aerosol, Special Scents	6.37	37.60	27.60	36.23	6.48	10.87	19	28.9
Aerosol, Hot Lather	0.80	4.70	4.14	13.53	0.80	1.34	5	28.4
Razor Blades	45.94	271.02	200.10	35.44	43.31	72.83	34	26.8
Razor & Razor Kits	11.69	68.93	55.20	24.87	12.05	20.20	12	29.3
Disposable Razors	6.78	40.01	32.01	24.99	7.54	12.64	2	31.6
Pre- & After-Shave Lotions	9.03	53.26	40.02	33.06	10.14	16.99	22	31.9
Cologne	1.33	7.83	6.90	13.48	1.25	2.00	5	26.7
Hair Care Products	5.58	32.90	35.88	- 8.30	5.87	9.84	15	29.9
All Other Men's Toiletries	2.12	12.53	11.69	7.19	2.09	3.60	7	27.9
Total	100.00	\$589.87	\$496.78	18.74	100.00	\$167.63	141	28.4

% of total H&BA volume . . . 7.55%

HEALTH & BEAUTY AIDS

Incidence of Purchase (per 1,000 POS transactions)		
Baby diapers, disposable	Unit sales	Dollar sales
1979	25	\$60.67
Update '80 (% change*) 1st qtr. '80 vs. 1st qtr. '79 *Rounded to nearest whole number	 -4	 +16
Source: TRIM Inc.		

convenience despite lower quality.

Pre- and aftershave lotions also showed marked increases in '79. Supermarket dollar volume rose over 33% to total over \$53 million last year. Colognes rose about 13½% in 1979.

One reason for these sales increases is that Yardley, formerly a department store line, is pushing hard into mass-merchandising outlets.

Tom Measday, general manager, Yardley of London, reports about 60% of Yardley's toiletries business is now in supermarkets. After-shave, carrying a retail of \$2.69-\$3.25, is the biggest food store seller. Measday also notes Musk and Leather lines, complete with aftershave, cologne, stick deodorant, shaving cream and soap on a rope, are top sellers.

Yardley has suffered the penalty for its swing to supermarkets by getting booted out of department stores. But the firm is strengthen-

ing its promotional programs to counteract any drop in sales.

In 1979 Yardley distributed 250 million coupons through magazines and newspapers, extended deal periods on introductory products from two to three months and increased advertising fivefold over 1978.

Baby needs: Parents found more and more baby care needs at their local supermarkets in 1979, and thus food stores reaped bigger sales benefits. Overall, the category climbed over 27% to top \$1 billion.

One major factor that led to the sales hikes was that baby boom babies who put off child-rearing until they reached their late 20's and early 30's began having children in the late 70's. Additionally, supermarket retailers, helped along by supplier promotional pitches, started merchandising baby needs in adult sections as well.

The marked increase in baby oils, lotions and ointments—up almost 20% to hit '79 dollar sales of over \$64

million—are in part due to adults' increased use of these products. Baby oil, for example, is often sold as a suntan product or skin moisturizer.

Swabs, up almost 37% in 1979 to over \$83 million, are used by adults as well as for baby care.

Baby soaps and shampoos rose over 30% in 1979 to total more than \$95 million, but much of that latter found its way to adult scalps. Adults believed suppliers' promise of gentle cleansing for daily shampoos.

Lou Sullivan, national sales manager, Johnson & Johnson, Baby Products Toiletries division, notes, "Because we've been advertising to adults, too, more retailers are putting baby shampoos, powders, oils and swabs in both baby and adult sections."

Far and away the best baby care seller was disposable diapers. Dollar volume amounted to over \$647 million, up almost 29% over 1978. Pampers, J&J and Luvs were top sellers.

The trend to big sizes is evident in the disposable diaper category. According to Procter & Gamble's Tom McClintock, manager, customer services, "The convenience sizes are doing very well as shoppers for this category are going for convenience more than they're worrying about price."

Two new entries by J&J should add even more momentum to baby need sales for 1980. Baby Bath, introduced in '79, and Baby Cornstarch, launched in early '80, have reportedly seen "excellent reception" by consumers.

Cosmetics: A few years ago, cos-

H&BA/Baby Needs: 1979 Performance—\$1 Million Supermarkets

	% of Dept. Sales	Sales			% of Dept. Gross Profit	Profit		Margin
		1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% c/i Dif.		Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	
Bottles & Nipples	3.03	\$ 31.33	\$ 19.32	62.16	5.59	\$ 11.97	19	38.2
Baby Oils, Lotions & Ointments ..	6.22	64.23	53.82	19.34	9.18	19.65	18	30.6
Baby Powder	5.92	61.10	45.54	34.17	8.05	17.23	10	28.2
Plastic Pants & Diaper Liners ..	1.06	10.97	9.66	13.56	2.17	4.64	8	42.3
Swabs	8.04	83.03	60.72	36.74	13.46	28.61	9	34.7
Diapers, Disposable	62.68	647.01	502.32	28.80	42.94	91.88	20	14.2
Soaps & Shampoos	9.26	95.56	73.14	30.65	12.55	26.66	12	28.1
All Other Baby Needs	3.79	38.17	42.78	- 8.43	6.06	12.96	19	33.1
Total	100.00	\$1,032.40	\$810.06	27.45	100.00	\$214.00	115	20.7
% of total H&BA volume . . . 13.22%								

HEALTH & BEAUTY AIDS

metics sales in supermarkets meant a few dollars brought in by low tickets from a very limited line assortment. Most supers didn't bother to carry any cosmetics at all, and major franchise cosmetics houses dismissed the food trade with the phrase, "You can't expect a woman to throw mascara in with the lettuce."

A look at 1979 sales, however, shows how much things have changed. Cosmetics, including bath products, manicure items and towlettes, accounted for over \$361 million in 1979 and represented 4.62% of H&BA store sales. With margins that ranged from 30% to 47%, gross profits amounted to almost \$140 million in '79—not bad for a category that "wouldn't ever make it in food stores."

Three notable trends marked cosmetics sales in supers in 1979 and early 1980, notes Bob Tabor, vice president, field sales, Maybelline. First, more and more supers became involved with cosmetics and increased the number of items they had on line. Says Tabor, "They're doing a much better job at giving the customer what she's requesting—wide selection."

A Miller-Morton spokesman

agrees. Whereas suppliers used to give supers a short price line, now they're trying to get in with full line cosmetics, he reports.

The second trend, says Tabor, is in increased sales, proving that shoppers "will purchase cosmetics in a supermarket if the selection is there."

Third, Tabor notes, "Supermarketers are looking at cosmetics in terms of departments much like the delis, plant care or pet departments. They are realizing that cosmetics lend themselves to that kind of approach."

For their part, cosmetics firms such as Maybelline, Cover Girl, Revlon and Max Factor are courting supers with striking—if strikingly similar—new displays to create a "boutique image" within the food store.

At the same time, the displays are designed to hold more product in a given amount of space and to keep subcategories within a line clearly organized.

Wiley Loftin, general merchandise director for A&P's Atlanta division, says Maybelline's racks are helping him get the needed variety and selection into his supers. The division has increased cosmetics

sales by 50% over the past two years.

One retailer, Tom Thumb's Jim Kyle, H&BA buyer, looks askance at the big displays. "Some of them are a total washout," he says. "They expect you to pay for these big displays, and then you have to fill them up with products—and they hold a lot of product. Even if they're furnished free, you've got to tie up too much capital to fill them."

Ethnic products: As supermarketers learn that ethnic H&BA departments boost overall profits, more are giving increased space and attention to the category in their stores.

Most major ethnic H&BA suppliers report increases of 15%-16% in supermarket sales in 1979. Undoubtedly, more chains offered these items when the market's black population was 30% or more. In fact, many units with only 5% black and Hispanic clientele began to put in small sections.

A&P and Dominick's are typical of food stores that devote about three linear feet to ethnic H&BA. Chains such as Jewel have become much more aggressive this past year and allot as much as 12 linear feet to ethnics in certain units. □

H&BA/Cosmetics: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Facial Cosmetics	10.42	\$ 37.80	\$ 30.36	23.85	11.01	\$ 15.40	60	41.0
Compacts, Liquid & Stick Makeup	5.21	18.80	19.32	- 2.68	5.00	6.99	25	37.2
Powder Puffs	0.87	3.13	1.38	126.81	1.07	1.50	2	47.8
Face Powder	4.34	15.67	9.66	62.22	4.94	6.91	33	44.1
Lipsticks	8.67	31.33	26.22	19.49	8.56	11.97	51	38.2
Manicure Items	28.68	103.61	89.97	15.16	30.71	42.33	79	41.4
Nail Polish	19.14	69.14	59.61	15.99	20.28	28.35	58	41.0
All Other Manicure Items	9.54	34.47	30.36	13.54	10.43	14.58	21	42.3
Bath Products	19.95	72.06	55.20	30.54	15.96	22.30	21	30.9
Talcum Powder & Medicated Powder	11.28	40.73	30.36	34.16	9.21	12.87	10	31.6
All Other Bath Products	8.67	31.33	24.84	26.13	6.75	9.43	11	30.1
Eye Makeup & Accessories	22.67	81.87	59.69	37.16	22.68	31.68	53	38.7
Perfumes, Toilet Water, Cologne, Towelettes	8.31	30.02	11.73	155.92	9.56	13.36	1	44.5
All Other Cosmetics & Cosmetic Accessories	1.30	4.70	14.68	- 67.97	1.52	2.12	7	45.2
Total	100.0	\$361.19	\$287.85	25.48	100.00	\$139.76	272	38.7
% of total H&BA volume . . . 4.62%								

Auto, DIY, photo hike dollar sales



The general merchandise story for 1979 reads like a good news/bad news joke. The good news is that GM showed solid sales and space hikes. The bad news is that the category may have trouble duplicating these gains in 1980, since the slumping economy is prompting inventory cuts and lower shopper spending.

On the positive side, supermar-

ket dollar volume for general merchandise totaled \$4.3 billion in 1979, up about 20% over 1978. GM represented about 2.75% of total store sales. While it's true that inflation and generally higher tickets pushed dollars abnormally high, GM still put lots of dollars in the bank, thanks to 30%-50% margins.

As for space, a spot check of 10 top retailers across the country reveals average 1979 space increases

of about 5%-7% over 1978. Supermarketers, increasingly receptive to the benefits of GM, made extra room for such lines as auto, photo and DIY.

As for consumers, there's no question that they shopped for more of their GM needs at supermarkets. Fuel shortages made suburban and rural shoppers less willing to travel costly miles to save a few cents. Furthermore, the steady growth in the number of working women, who have neither the time nor the inclination to cherry-pick items from store to store, is more and more making the supermarket the place to fill all shopping needs, including general merchandise.

Suppliers are more aware than ever of supermarkets' growth potential and are tailoring displays and promotions to meet supermarket merchandising needs. Many have beefed up ad budgets to win retailer and shopper attention.

While all of this paints a rosy picture of GM, several factors cast a pall over the supermarket nonfoods marketplace. First, the high cost of money has retailers hustling to trim inventory wherever possible. While grocers concede the necessity for general merchandise's high profit margins, they are nonetheless paring order sizes and frequency.

Suppliers are also worried that flattening unit movement is aggravating already softening dollar sales and see the problem growing worse in the early 80's.

Second, the high cost of money is slowing the construction of new and larger units. Also, many firms that had big remodeling plans are proceeding with caution. This could hurt GM, as new, expanded or remodeled units have historically provided most of the increases in GM space allocation. If this trend blossoms in the 80's—and it appears that it will—GM may be in for a tough, perhaps even a losing, battle in the fight for more footage.

Third, a boom in sales of generics and "warehouse price" food is prompting some retailers to bump slower-moving GM items to make room for expanded no-name merchandise.

Hard lines: Gasoline-poor,

GENERAL MERCHANDISE

money-short shoppers may have stayed home more in 1979, but they made the most of it by buying the best in such items as glassware, barbecues, gadgets for gourmet cooking, toys and photo supplies at the closest one-stop-shopping out-

let, the neighborhood supermarket.

Shoppers purchased upgraded, better-quality items from expanded hard lines departments and seemed undaunted by price hikes caused by inflation and the soaring costs of

raw materials. Total hard lines sales in supers amounted to \$3.5 billion in 1979, up over 21% from the \$2.85 billion spent in '78.

Glassware/china: Supermarkets became bigger outlets for glassware and china in 1979 as shoppers

General Merchandise: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment Items/ Brands/ Sizes at Whse.	Margin Avg. Gross Margin (% of Retail)
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)		
Glassware/China	9.20	\$ 317.91	\$ 308.29	3.12	8.30	\$ 104.85	104	33.0
Dinnerware	4.62	159.68	176.95	- 9.75	3.88	49.02	27	30.7
Drinkware	2.13	73.63	64.86	13.52	2.02	25.48	37	34.6
Bakeware	0.86	29.77	31.79	- 6.34	0.82	10.39	11	34.9
All Other Glassware/China	1.59	54.83	34.69	58.06	1.58	19.96	29	36.4
Barbecue Items	5.90	203.67	169.74	19.99	4.29	54.30	25	26.7
Charcoal	3.54	122.20	121.44	0.63	2.25	28.47	8	23.3
Starter	0.82	28.20	24.84	13.53	0.66	8.38	4	29.7
Grills	1.36	47.00	19.32	143.27	1.20	15.13	9	32.2
All Other Barbecue Items	0.18	6.27	4.14	51.45	0.18	2.31	4	36.9
Furniture	3.68	126.90	89.70	41.47	3.36	42.56	25	33.5
Indoor	1.00	34.47	20.70	66.52	0.92	11.69	9	33.9
Outdoor	2.68	92.43	69.00	33.96	2.44	30.87	16	33.4
Plasticware	2.69	92.81	78.66	17.99	2.74	34.62	25	37.3
Cookware	7.38	255.03	240.12	6.21	7.25	91.56	53	35.3
Cutlery	2.04	70.61	60.72	16.29	1.64	29.76	13	29.4
Gadgets	2.31	79.68	71.76	11.04	2.82	35.62	28	44.7
Gardenware [Incl. Hoses]	1.00	34.47	27.69	24.49	1.17	14.82	22	43.0
Electric Ware	12.10	418.29	259.68	61.08	14.02	177.19	112	42.4
Batteries	7.89	272.59	136.62	99.52	9.75	123.21	42	45.2
Appliances	3.26	112.80	93.84	20.20	2.99	37.79	40	33.5
All Other Electric Ware	0.95	32.90	29.22	12.59	1.28	16.19	30	49.2
Toys & Sporting Goods & Hobbies [Excl. Needlecraft]	4.40	152.16	136.59	11.40	4.96	62.88	173	41.2
Rubber Gloves	1.72	59.53	38.64	54.06	2.17	27.38	20	46.0
Auto Supplies	7.86	271.62	246.93	10.00	6.17	77.96	24	28.7
Tools & Fix-It Items	1.07	37.03	30.36	21.97	1.06	13.44	7	36.3
Vacuumware & Styrofoam	1.59	54.83	34.50	58.93	1.50	16.97	23	34.6
Rubberware	0.50	17.33	14.69	17.97	0.62	7.89	5	45.5
Woodenware	0.27	9.40	11.04	- 14.85	0.30	3.82	8	40.6
Holiday Supplies	1.36	47.00	67.62	- 30.48	1.73	21.81	37	46.4
Photo Needs	14.84	513.08	332.16	54.47	10.96	136.47	39	27.0
Cameras	1.22	42.30	9.54	343.40	1.16	14.68	5	34.7
Film	8.48	292.96	178.04	64.55	5.38	67.97	24	23.2
Flashbulbs	2.22	76.82	62.46	22.99	1.84	23.20	6	30.2
Processing	2.92	101.00	82.12	22.99	2.58	32.62	4	32.3
Sewing Notions	1.27	43.67	22.08	98.69	2.12	26.88	139	61.1
Sunglasses	1.56	53.79	51.73	3.98	0.00	0.00	0	0.0
Fireplace Logs	1.07	36.96	34.74	6.39	0.63	8.02	4	21.7
Watches & Jewelry	1.27	43.67	31.16	40.79	1.56	19.70	79	44.9
Light Bulbs	11.16	385.06	343.85	11.96	16.63	209.65	50	54.5
Standard Household	8.92	307.82	274.94	11.96	13.32	168.07	25	54.6
Christmas	0.22	7.62	6.81	11.89	0.30	3.76	5	49.4
All Other Bulbs	2.02	69.62	62.10	12.11	3.01	38.01	20	54.6
All Other Housewares	3.76	138.03	141.07	- 7.82	4.00	58.58	51	38.9
Total	100.00	\$3,454.93	\$2,850.42	21.21	100.00	\$1,283.63	1,066	36.6
* of total store volume . . . 2.20%								

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learned they could find these items on grocers' shelves.

Drinkware jumped over 13% in supermarket dollar sales in 1979 to total almost \$74 million. Best-sellers in that category, reports Bob McCallum, market specialist, Anchor Hocking, were iced tea glasses and wine glasses. Wine glass sales achieved greatest gains in those supers with wine departments, especially when retailers used tie-ins.

As for bulk vs. packaged glassware, McCallum reports a 50:50 sales ratio. The move to UPC coding may tip the scales in favor of more easily marked packs, and Libbey does report heavier sales in 4-packs. However, packaged sales gains may be counteracted by penny-pinching consumers who simply don't want to pay extra for packaging or buy so many units in a single purchase.

Gadgetry: The trend to gourmet cooking, marked by strong movement for upscale mixing bowls, wood-handled kitchen tools and such items as vegetable brushes pushed sales of gadgets up 11% in 1979 to total \$79.7 million. Says a spokesman for Ekco housewares, "We definitely sold more higher-end items in '79, thanks to shoppers' growing interest in food preparation and their more adventurous appetites. Supers promoted gadgets with more drop-ins, prepack displays, J-hooks and tie-in merchandising to spark sales."

Other housewares categories that enjoyed healthy gains in '79 were rubberware and plasticware. Both generated sales hikes of almost 18% over '78. Ticket increases sparked by the soaring costs of raw materials for oil-based products caused some of these gains.

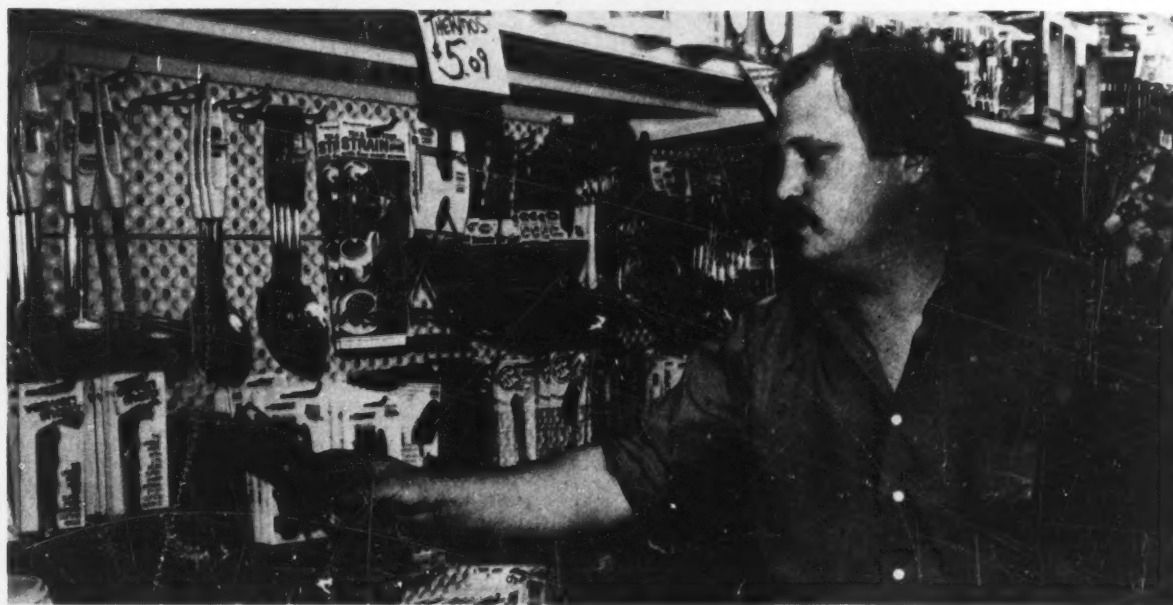
At Rubbermaid, Roy Walter, national sales manager, reports '79 sales to supers up about 26% and that about 21% of that was real growth. He believes that sales increased despite price hikes because customers are more resigned to higher-retails. "Also, we're a name brand, and customers feel safer buying a name they know, especially when they're spending more for an item," says Walter.

Tools and fix-it: Do-it-yourself shoppers increasingly look to supers to find the tools and hardware needed to fix up their homes. Tools and fix-it sales climbed almost 22% in 1979 and brought in almost \$55 million that year.

In light of this impressive performance, Bulldog Jordan, Newel Co., hopes to expand supermarket hardware departments by UPC-coding items and cherry-picking a super-

Soft Goods: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/Brands/Sizes at Whse.	Avg. Gross Margin (% of Retail)
Hosiery	48.37	\$416.43	\$308.80	34.85	49.92	\$174.48	99	41.9
Pantyhose	41.57	357.91	247.11	44.84	42.91	149.96	80	41.9
Stockings	6.80	58.52	61.69	- 5.13	7.01	24.52	19	41.9
Men's & Boys' Wear	9.62	82.79	59.13	40.01	9.55	33.37	63	40.3
Underwear	6.16	53.02	48.09	10.25	6.04	21.10	46	39.8
All Other Men's & Boys' Wear ..	3.46	29.77	11.04	169.66	3.51	12.27	17	41.2
Ladies' & Girls' Wear	0.84	7.25	7.86	- 7.75	0.94	3.29	9	45.4
Underwear	0.67	5.81	6.48	- 10.33	0.76	2.66	3	45.7
All Other Ladies' & Girls' Wear ..	0.17	1.44	1.38	4.35	0.18	0.64	6	44.1
Infants' Wear	0.91	7.82	6.90	13.33	0.94	3.29	2	42.1
Millinery	0.73	6.27	9.66	- 35.08	0.77	2.70	4	43.1
Gloves & Mittens (Not Rubber) ..	2.37	20.37	20.70	- 1.58	2.77	9.70	10	47.6
Socks	5.30	45.62	71.76	- 36.42	5.52	19.30	33	42.3
Shoes	1.82	15.67	38.64	- 59.44	1.69	5.92	5	37.8
All Other Apparel	0.55	4.70	9.66	- 51.34	0.58	2.02	1	42.9
Towels & Washcloths	11.46	98.70	74.52	32.45	10.04	35.08	39	35.5
Towels	7.46	64.23	46.92	36.89	6.52	22.80	22	35.5
Washcloths	1.82	15.67	9.66	62.22	1.30	4.53	7	28.9
Dishcloths	2.18	18.80	17.94	4.79	2.22	7.75	10	41.2
Pot Holders	1.27	10.97	8.28	32.49	1.33	4.66	9	42.5
Tablecloths & Placemats	2.18	18.80	23.46	- 19.85	2.21	7.71	14	41.0
Bed Coverings	1.98	17.10	8.38	104.06	1.73	6.05	16	35.4
Sheets & Pillowcases	0.24	2.10	1.48	41.89	0.20	0.69	11	33.0
All Other Bedding	1.74	15.00	6.90	117.39	1.53	5.36	5	35.7
All Other Soft Goods For The Home	3.46	29.77	26.22	13.54	3.39	11.85	15	39.8
Yarn	6.92	59.53	48.62	22.44	6.11	21.37	23	35.9
All Other Needlecraft Items	2.22	19.07	24.63	- 22.56	2.51	8.77	25	46.0
Total	100.00	\$860.86	\$747.22	15.21	100.00	\$349.55	367	40.6
% of total store volume . . . 0.55%								



geared line from the firm's 3,000 sku's. A company spokesman reports assortment kits of nuts, bolts and screws with a retail of \$1.99 as top sellers in supermarkets.

Light bulbs: The trend to brightening up the home extends, quite literally, to the light bulb category. Total supermarket light bulb sales reached \$385.06 million in 1979, up almost 12% over 1978. Standard bulbs accounted for \$307.82 million of that total.

However, this marks a darker picture. According to Ken Porterfield, manager of food marketing, GE Lighting Business Group, while sales climbed 10.2% in 1979, units rose only $\frac{1}{4}$ of 1%. Why?

Reports Porterfield, "I attribute it to a greater awareness on the part of consumers for energy conservation. They're using less electricity. Also, smaller residential units require fewer lamps. Third, we see a cutback in decorative and extraneous lighting such as the kind used for florals, plants and outdoor security due to both the rising cost of energy and the move to conserving energy."

Flattening supermarket unit sales in light bulbs, says Bill Trummel, marketing services manager for Westinghouse, are due to the grocery channel losing sales to discount stores and home improvement outlets. Says Trummel, "Mass merchandisers are more price competitive, so there's been an erosion of supermarket's share of total."

Within the light bulb category, a spokesman for Sylvania reports a

switch to costlier lower-wattage lamps that last longer. Fluorescent lights, such as Sylvania's Sun Stick and GE's Bright Stick, are examples of the move to fluorescence.

Electricware: While shoppers may not be plugging in as many lights as they had in former years, they're turning on more, as the

Bigger departments, broader selection, super programs keep volume high

growth of batteries confirms. Battery sales soared almost 100% in '79, bringing in \$272.59 million.

A spokesman for Union Carbide, makers of Eveready batteries, claims that alkaline batteries "have demonstrated a rapid rate of growth thanks to the longer-lasting, high-performance nature of the items."

Within the electricware category, supers enjoyed sales gains in appliances of more than 20% in 1979. Food stores now account for almost \$113 million in sales of appliances. Most of the gains are through superstores and combo outlets.

Seasonals: Because shoppers stayed at home more, they took advantage of seasonal items in supers to make backyard leisure time more pleasant. Unquestionably, supers promoted seasonal merchandise more and boosted in-and-out dis-

plays. For example, barbecue items jumped almost 20% in 1979 over 1978, with grills soaring more than 143%. Indoor and outdoor furniture also enjoyed sales hikes of over 41% in '79 to bring the category's dollar total to \$126.90 million.

Automotives: The days when a young service station attendant would smile and say, "Change your oil, sir?" have gone the way of the lindy hop and the 10¢ cup of coffee. Over 55,000 service stations have closed since 1972, and those that remain are mostly self-service. Service stations' share of oil sales shrank from 70% of retail volume in 1961 to about 25% in 1979.

The service station's loss is the mass marketer's gain. Supers are well on their way to grabbing a bigger share of motor oil and accessories sales. In 1979, supermarkets accounted for at least 6% of the 60% of the total market mass merchandisers took in for auto supplies. CSA figures place automotive sales for 1979 at \$271.62 million. Marine items account for only a tiny portion of that. John Sutton, account manager, national accounts, comments, "We are looking for supermarkets to be equal in power in automotive sales to mass merchandisers within the next few years."

Reasons for the automotives boom: Supers are responding to the DIY auto maintenance trend and the trend to one-stop shopping; they've increased space allotted to automotives, broadened items selection and increased promotions.

Suppliers are reveling in the

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growing supermarket sales. Paul Shipman, lubricant market development manager, Phillips Petroleum, reports his company has enjoyed a 62% increase in gallons of oil sold through supers.

Both Sutton and Shipman report an increase in popularity of "goof-proof," multiviscosity oils such as 10W 40. Consumers don't have to worry about changing oil every season thanks to the multigrade qualities of this oil.

Another trend begun in 1979 is sales of oil in multipacks. Phillips, for instance, has had great success with TropArtic 10W 40 in a 6-pack with an on-pack coupon. Pennzoil and Shell are among other suppliers launching multipack oils to supers.

The entrance of the big guns—Ford, Mobil, Shell and Gulf—into the supermarket arena marks another important characteristic of 1979 automotive sales. Says Phillips' Shipman, "We welcome them.

It's healthy. Good, solid competition breeds better programs."

The accessories market also did well as customers, drawn by price-promoted motor oil, picked up some needed aftercare products on impulse and at much higher margins.

However, the money pinch is felt here also. Jack Tranter, sales manager, Turtle Wax, notes an early 1980 retailer trend to buy bigger from fewer suppliers in an effort to take advantage of all price breaks and keep better track of shipments.

Photo: "In real terms, the 1978-79 period can be viewed as an extremely high plateau. In overall size and breadth of market penetration, the American photo industry has never been in better shape," notes the latest Wolfman report on the United States photographic industry.

The same banner year statement fully applies to the grocery store photo market. Total photo needs

sales reached \$513.08 million in 1979, up over 54% from 1978. Film captured the bulk of those dollars, accounting for \$292.96 million. Processing held its own with a sales total of \$101 million in 1979.

The hottest film news in 1979 was the soaring costs of raw materials. Silver and petroleum cost hikes—not to mention rising prices paid for energy—jacked up the tickets for both film and processing. Kodak, for example, raised film prices to its customers 6%-6½% in 1979; in 1980 the company tacked on another 10%-20% increase, reports Glenn Taylor, Kodak's marketing specialist, food trade.

Yet consumers, still celebrating birthdays, anniversaries and graduations, kept buying film to record these occasions. They chose the supermarket as their photo needs outlet because one-stop shopping and earlier and heavier price promotions on film and processing drew them in record numbers.

Shoppers' choice of film shifted in 1979 as amateur shutterbugs bought more 35mm rolls to use with their new, promotionally priced 35mm cameras. Solid sales in instant film and photo paraphernalia marked another shopping trend for 1979 and helped push Polaroid's sales in supers up 41%, reports Mike Hickey, marketing manager. "Food stores continue to be our fastest-growing segment," he says.

According to Ron Dubner, national accounts manager, supermarket sales for Fuji, unit sales in supers climbed about 35% over 1978. Dubner confirms the trend to 35mm and also reports climbing sales for 24-exposure film.

Processing sales benefited from supers' strong film movement in 1979. Fox-Stanley reports that overall business grew 20%-25% in 1979. According to dealer advertising and sales promotion director, Janice Jenkins, stores with clerk-assisted photo departments enjoyed greatest gains. In fact, Fox-Stanley figures report 50% higher volume in stores in which the photo and processing department were clerk-assisted.

As for cameras, while more supers sold them in 1979, the demand for service and the high tickets on these items hindered the subcategory from really taking off.

In the flashbulb category, flash cube sales began to soften in '79, according to a source from Sylvania. Flip flash and flash bars, used in instant and instamatic-type

Unit Movement

The following chart shows each soft goods category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Hosiery	93	31.88
Pantyhose	68	23.32
Stockings	25	8.56
Men's & Boys' Wear	15	5.13
Underwear	6	2.05
All Other Men's & Boys' Wear	9	3.08
Ladies' & Girls' Wear	3	1.03
Underwear	0	0.00
All Other Ladies' & Girls' Wear	3	1.03
Infantswear	1	0.34
Millinery	1	0.34
Gloves & Mittens [Not Rubber]	10	3.42
Socks	25	8.56
Shoes	4	1.37
All Other Apparel	1	0.34
Towels & Washcloths	71	24.31
Towels	30	10.27
Washcloths	18	6.16
Dishcloths	23	7.88
Pot Holders	8	2.74
Tablecloths & Placemats	5	1.71
Bed Coverings	3	1.02
Sheets & Pillowcases	1	0.34
All Other Bedding	2	0.68
All Other Soft Goods	11	3.77
For The Home	11	3.77
Yarn	37	12.67
All Other Needlecraft Items	4	1.37
Total	292	100.00

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cameras, picked up volume thanks to the rising popularity of instant photography.

Toys: Electronics sent sparks flying in the toy category during 1979. Despite microprocessor chip shortages and very high tickets, supermarketers bought, promoted and sold these items by the carload.

This year, though, will see the electronic craze subside for supermarketers. That's because many retailers who went whole hog into the field are now restrained by tighter budgets and inventory checking. Several retailers report cutting sku's to two or three items while boosting space for basic toys.

Supermarkets, though a growing outlet for toy sales, account for about only 2% of total toy volume. CSA research shows supermarket sales topped \$152 million in 1979, up over 11% from '78. Both retailers and toy suppliers are aiming even higher in 1980 and will step up toy promotion, sharpen merchandising techniques and allow one-stop shopping to help build their reputation as toy outlets.

Toy sales trends for supers in 1979 include boosted popularity of die-cast trucks and licensed and branded merchandise. According to Sheldon Steinfeld, president, Playtime Fun, die-cast items are up because shoppers moved away from high-priced plastic toys and opted for die-cast. As for licensed goods, Steinfeld believes that consumers faced with a dwindling money supply want to bank on a name brand or character they know.

Steve Kahn, vice president, Schuco Toy Co., also points to low-end basic rack items as still showing strong sales in supers. He and Fisher-Price's Peter Breen, manager of sales and promotion, report that their firms are "seriously analyzing" supermarkets as a more important outlet for toy lines. Says Breen, "Our research on pricing, marketing, merchandising, promotion and product mix will allow us to formally go after supers by year-end 1980."

One more new note sounding in supers: Though still in the planning stages, sporting goods suppliers such as Zebco and Penn Fishing Tackle are beginning to take a more systematic approach to supermarkets they claim are a "potentially viable part of their business." Larger supers that have been restricted in their sporting goods offerings due to lack of display packs and merchandising vehicles will see



that changing in 1980.

Zebco, for example, now offers Clam-Pack, a plastic-wrapped reel for \$2.99-\$14.99 in supers and a shrink-wrapped rod and reel combo with line that retails for \$4.96-\$14.95.

Ed Hochreiter, sales manager for Penn Fishing Tackle, notes, "Our prepack merchandise may be bigger in supermarkets, especially our spare parts and spools, which are bought mostly on impulse."

Soft goods: Supermarkets have come a long way since the days when they first blundered into more-than-dishtowel soft goods lines of apparel and domestics. Today, thanks to such suppliers as Hanes and Fruit of the Loom having geared packaging and promotion to supermarkets, sales are gaining ground.

Supers are giving more space to the category—an 8-16 linear foot department is no longer unusual—and advertising items with more regularity. Michael Denniston, GM department manager, Affiliated

Food Stores Inc., comments, "We are starting to see growth in soft goods because we decided to push it. We're just now giving it the space it needs because, well, we've already saturated our stores with other GM, and we've finally gotten around to paying attention to soft goods." He reports sales growth of 15%-20% in 1979, including a 9% inflation factor.

The soft goods category reached over \$860 million in 1979, up more than 15% over 1978. Gross margins averaged about 41% to bring gross profits to over \$349 million. (Note: Adjustment of 1979 CSA figures to account for the growing number of direct-store-delivered items may have resulted in percentage-of-change numbers that are smaller or larger than expected.)

Hosiery, and more specifically pantyhose, far and away enjoyed the greatest volume last year. Supermarkets took in \$416.4 million in 1970; \$357.9 million in pantyhose, which climbed almost 45% over 1978.

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According to an industry source, much of that growth was incremental, but some of the increase is probably due to supers siphoning market share from specialty stores and variety chains that have eliminated hosiery from their offerings. Supermarkets now account for about a 22.6 share of the total hosiery market, according to Ray Farris, national sales director, Hanes DSD.

Nonsupport pantyhose and knee-highs took in the bulk of pantyhose dollars in 1979, but sources say support, panty-top and control-top items are gaining in 1980 as today's active American women—wearing more dresses and skirts than they have in previous years—look for comfort and support as well as style.

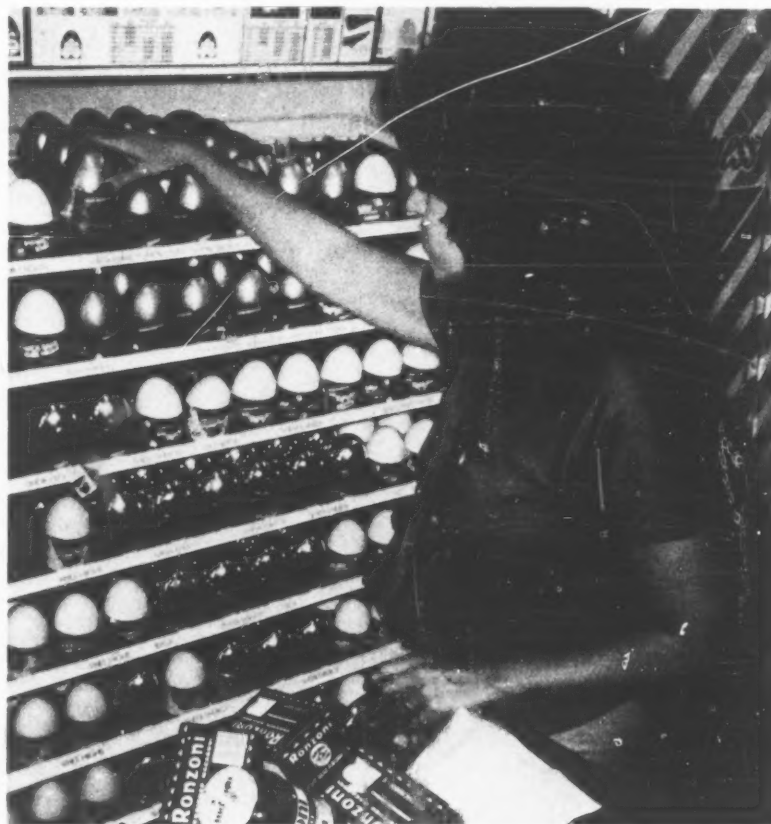
While suppliers are delighted with strong supermarket hosiery sales, rising costs of raw materials are causing them concern. Nylon and other materials are petroleum-based, and soaring oil prices have pushed tickets upward. For example, L'Eggs increased its pantyhose prices from \$1.38 to \$2.07. Still, the items are a necessity, and shoppers are buying them in supers in growing number.

Socks: Conventional socks sales dropped in '79, but sport-style tube and athletic socks rose as health-minded shoppers exercised, jogged and tried to keep fit. Shoppers chose better-quality, higher-priced socks, and suppliers responded by developing super-gearred packaging for these items.

Translated to dollars, socks sales reached about \$46 million in 1979. Though some socks prices rose 5% due to cost hikes in petrochemical fibres, major suppliers posted sales gains of about 10%.

Ira Kassak, vice president sales and marketing for Kayser-Roth socks division, reports a 10% dollar hike in '79 but a unit flattening. "We saw a healthy increase in sales of sport socks at the expense of conventional styles. Still, our supermarket business rose by 8% in 1979."

Underwear: The underwear story was in multipacks in 1979. Men's and boys' T-shirts and briefs moved especially well in supers. While sales were good, Paul Gottlieb, director of market development for Union Underwear, said they could have been far better if supers were more price-conscious. "Supers need to understand that their competition in underwear is not just other supers but the dis-



counters who price-promote these items."

Shoes: After shoe sales leaped and bounded through the mid- and late 70's, thanks to jogger mania, the market fell almost 60% in 1979. Ed Rene, sales assistant, Robert Shoe Co., attributes the decline to serious runners buying high-ticket shoes at athletic shoe specialty shops.

Knitwear: While supers tripped over rocky shoe sales, they found smoother footing in the knitwear category. For example, gloves and mittens grabbed over \$20 million in supers.

Knitwear sales climbed because gasoline shortages kept one-stop shoppers in supermarkets longer. Heating-fuel shortages prompted shoppers to turn to knitwear to keep warm.

Zwicker's Knit Street line doubled its supermarket volume over the past three years, notes a company official. At Wells Lamont, sales through all food outlets, including convenience stores, jumped 20% over 1978, according to Byron Gilbertson, marketing manager.

Domestics: In keeping with the DIY trend to "spiff up the house," sales of domestics saw good growth

in supers. Towels and washcloths sales totaled about \$99 million in 1979, up about 33% over 1978. Pot holders alone brought in almost \$11 million in supermarket sales. Bed coverings, including sheets, pillowcases and blankets, totaled over \$17 million, up substantially from 1978.

Again, greater consumer demand for these items in supers increased retail attention to the category. Supermarketers upped space and promotions to spark sales.

In kitchen domestics, trends include the popularity of patterns and checks and a move toward merchandising items with header cards that allow peg display. Shoppers are also upgrading and choosing higher price points.

High-quality items in earth-tone colors move best in bath towels. Fringes are disappearing as shoppers purchase hemmed items.

While most suppliers of domestics agree that 1979 sales were strong, they also agree that the forward-orders for 1980 are weaker. Inventory cinching, the drop in shoppers' disposable incomes and price hikes may siphon some of the steam from this full-speed-ahead category. □

Tabs, comics brighten troubled area

As the story opens, Supermarket Retailer, after several years of fending off the alluring Publications, begins to yield to her seductive fast turns, high sales and enticing profits. But just before our hero succumbs, villain Economy enters and slashes Publication's unit sales. At a loss, Supermarket Retailer searches for ways to restore Publications volume. Will he turn to tabloids, comics, computers or better merchandising? Will he ever find an answer?

The real-life publications story in supermarkets may not be that melodramatic, but it is certainly as critical. While dollar sales for publications topped \$1 billion in 1979, climbing 15.41% over 1978, these seemingly healthy numbers mask a much more sickly situation. Unit sales for magazines were flat in 1979; paperbacks units actually fell somewhere between 10% and 12%. Even the tabloids struggled, though their lower prices put them in a somewhat better position to contend with the recession.

The truth is that consumers are not buying as many publications as they once did. Caught in a tightening economy that is cinching disposable income, shoppers think twice before spending money on magazines and books. They might even think three times before paying 20%-25% higher cover prices for magazines and 30%-40% higher prices for paperbacks.

These steeper tickets—brought about by increasing paper, printing and trucking costs, astounding royalty fees paid to best-selling authors and the country's economic plight—have squashed multiple purchases of publications. Magazines are bearing the brunt of this, because shoppers now buy only one title whereas in the past they bought two or three.

Magazine publishers cannot afford to keep raising prices, though, because if they get too high, the business will reach a point of diminishing returns. According to Jim Pelletier, executive vice president, J. L. Marshall News, division Scott-Krauss in Cincinnati, "Now we're beginning to see public resistance in the form of unit drop-off for



specific titles." Because many magazines must meet a specified circulation level to guarantee advertisers a certain readership, if prices go too high and sales drop too low, the result may be deadly.

While early 1980 unit sales are still low, many industry sources believe that the slope is temporary. Once consumers get used to seeing these higher cover prices, they claim, units will pick up again.

"After all," says one publisher, "the gasoline crisis has to keep people at home and reading more. Magazine and paperback sales will have

to improve."

One way shoppers may be combating the problem is by switching to lower-price titles. For example, according to Roger Scherer, president, Scott-Krauss News Agency, this kind of purchasing shift is in part responsible for keeping unit sales flat rather than forcing them downward. "For instance," says Scherer, "shoppers are buying *People* as opposed to a more expensive fan magazine. Or they've moved from a more expensive magazine to a cheaper tabloid."

The fighting tabs: Tabloids

MAGAZINES & BOOKS



should be benefiting from the economy crunch since their 40¢ average price doesn't make much of a dent in a shopper's food budget. In fact, both the *Star* and the *Globe* are seeing growth in units and dollars.

The tabloid marketplace, though, is increasingly competitive and it is this competition that, along with the economic situation, is hurting the *National Enquirer*, the market leader.

Sales for the *Enquirer* are flat, reports Neal Carey, senior vice president. "The economy has something to do with it," he explains, "but also when we first got into supermarkets, there were only six publications at the checkout. Today, there are 12-24 titles there, and all of them are competing for a shrinking number of consumer dollars."

To counter the flattening unit movement, Carey reports the *National Enquirer* is moving away from its past sensationalistic approach and fashioning a more con-

servative image that will appeal to a broader spectrum of shoppers. The company is also maintaining RDA's and using TV more to push unit sales up.

The *Star*, which is admittedly "chasing the *Enquirer* in sales," is using major TV promotions and distribution through wholesalers to step-up sales. Apparently, they're running a good race.

Fred Ward, retail sales manager for the *Star*, reports that for July-December 1979, *Star* sales neared 14 million, an increase of 1.27% over last year.

Why is the *Star* rising? Ward attributes it to shoppers viewing the title as more creditable than the *Enquirer*. He also feels that the shopper switch to tabs from higher-priced magazines helps build *Star* sales.

The *Globe*, after suffering a unit drop-off in the first six months of 1979, is now posting good growth, according to executive vice presi-

dent Aubrey Burke. Burke credits the "more sophisticated editorial content," the addition of color and the name change from *Midnight* to the more respectable *Globe* with increasing the tabloid's unit sales.

Two new tabloid entries, the *Enquirer's Weekly World News* and the *Globe's National Examiner*, are also joining the fight for checkout position and higher unit sales. It is still too early to gauge results.

Comics bid for space: Tabloids are not the only publications stepchild to fight for more supermarket attention. Comic books, long neglected by retailers, are making more aggressive bids for supermarket space.

Marvel Comics Group president, James E. Galton, says that supers have resisted comics in the past for fear kids would "hang around the magazine racks," impede publications sales and disturb traffic flow. The fact is, reports Galton, that where supers have tested spinners

MAGAZINES & BOOKS

or permanent racks of comics, they've done well.

Marvel vice president of circulation, Ed Shukin, explains why supers are losing out if they don't have some comic book selections. "Cities were always the home of the corner candy store, and that's where kids bought comics. When the population shifted to suburbs and country, those outlets didn't follow them. Thus, supers have an easy shot at becoming the next big outlet for comics sales and considerably boosting their overall publications sales."

Shukin stresses the category's profitability. He reports that in a test in Stop & Shop, one 50-pocket spinner rack turned an average of 22 times per year. "That means," says Shukin, "that supers sold 9,000-10,000 units per month in a foot and a half of space, which, at retails of about 50¢, comes to about \$1,800 per year in gross profit from that single rack."

Problematic paperbacks: The most critical unit drop-off is in paperback books. Logically, if consumers pause before laying out \$1.50-\$2.00 for a magazine, they'll hesitate even more before paying \$2.95 and up for a book they probably can read in the library.

Many industry leaders blame the intense competition among publishing houses in bidding for blockbuster best sellers as the main reason for the price hikes. But as is the case for magazines, higher printing, paper and trucking costs have a negative impact on sales.

Not all paperback titles are off, though. Harlequin Romances, for example, did very well. The successful Canadian firm will face stiffer competition this year from

Unit Movement

The following chart shows each book & magazine category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Books & Magazines	313	100.00
Category Total	313	100.00
Total	313	100.00

Silhouette Romances, new from Simon & Schuster. Silhouette's first nine titles are already in distribution in over 10,000 outlets. Sources report the publishing firm is attempting to establish itself as a name brand, following in Harlequin's profitable footsteps.

In addition to romances, top 10

retailer complaint about publications is understock at the checkout and overstock of slow sellers at the main line.

Some strides were made last year to remedy this situation as more wholesalers computerized operations to gather more accurate data on what was selling, how fast and from which stores.

United News Co., for example, instituted a two-pronged approach to making their operations more sophisticated, reports Richard Steck, vice president and general manager. The company hired an outside marketing service to check stores and prepare stock return forms. The return information is immediately sent to and processed by a computer. The data is then used to calculate accurate stock orders. Steck reports that United News has lowered average supermarket returns to under 30% from the former 38% return level.

Furthermore, the more effective ordering system means that greater attention can be paid to demographics in selecting individual store titles. □

Dollar sales gains that top 15% mask most critical problem facing the category

best sellers move well in supers, especially when retailers use special signed displays to highlight titles.

However, if supers are going to do a better overall job with publications retailing—and achieve the 1% of total store sales that experts believe the category could have—they're going to have to do a better job with title mix in individual stores. By far the most widespread

Books/Magazines: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Books & Magazines	100.00	\$1,033.96	\$895.90	15.41	100.00	\$314.32	84	30.4
Magazines	60.30	623.49	—	—	—	174.56	—	28.0
Paperbacks	32.99	341.20	—	—	—	95.54	—	28.0
Tabloids	6.71	69.28	—	—	—	28.40	—	41.0
Total	100.00	\$1,033.96	\$895.90	15.41	100.00	\$314.32	84	30.4

% of total store volume . . . 0.66%

Trend to home offices buoys sales



Nobody likes paperwork. But everybody's got to do it. These two simple truisms explain the increasing importance of stationery and school supplies as a general merchandise category in supers. The trend to home offices, heightened emphasis consumers place on price/value relationships and suppliers' more energetic attempts to gear packaging to supermarket needs all contributed to the category's healthy gains.

A quick review of '79 sales figures shows the overall category jumped over 32% from 1978. Dollar volume for 1979 reached \$433.22 million in supers, up from \$351.35 in 1978.

Some of the most sizable in-

creases came from home and office supply items. Zero population growth, dwindling school enrollments and the explosion in the number of women entering the labor force—working both out of their homes and in offices—take credit for a major part of supers' gains.

Consumers are also keeping more detailed personal financial records in an all-out effort to stay above water during this difficult economic period.

Furthermore, reports Paul Terry, marketing manager, mass markets for Avery Label, the exodus to suburbia has had an impact on stationery sales. Says Terry, "The traditional stationery dealer has remained almost exclusively in down-

town locations. Almost 60% of stationery dealers are downtown, but about 70% of total retail sales are coming from suburban stores. There is a major dislocation between population and channels of distribution." Thus the supermarket has a specific niche to fill.

Scrutinizing figures: The trend toward heavier purchase of office supply items reveals itself in a closer look at CSA numbers. Envelope sales jumped 25% over 1978, and typing and carbon paper rose over 51%. More traditional school supply items, such as binders and filler paper, fell 5% and 2%, respectively. However, the trend to office items helped keep overall sales in the category on an even keel.

One subcategory—pens, pencils and felt-tips—climbed a strong 57% in 1979. The big news there was the increased activity in thin-lead, mechanical pencils, reports Robert Parker, national sales manager for Scripto.

Why are shoppers choosing a 98¢ or more mechanical pencil over less costly wood-case items? Says a spokesman for Berol, a leading pencil manufacturer, "Consumers are considering price and value. The initial investment might be a bit more, but the mechanical pencil never needs sharpening and looks attractive, and a pack of refills costs only about 75¢. Shoppers feel they're getting better value for their money."

In the pen department, ball-point multipacks moved well in 1979. "People want value and quality. They're getting that with good items in a multipack," says a Bic executive.

Boosted backing: Sales hikes in supers are getting more support from suppliers, whose growing awareness of the special needs of supermarkets is prompting some revamping of packaging. One major paper supplies firm notes that it reduced the size of case and inner packs to warehouses to help supers spark turns. Also, the firm cut the quantity of items per display to "promote faster sell-through in supers."

Although not a school or office supply *per se*, U.S. Playing Cards

STATIONERY & SCHOOL SUPPLIES

"took out the blister pack card and put a tab on the pack itself so that supers can save space. You can get twice as much product in the same area," reports Bill Tuttle, advertising manager.

Greeting cards: Supers have expanded space for greeting cards in 1979 in a push to broaden selection and establish an image as a serious greeting card outlet. John Kelly, national supermarket sales director at Ambassador Cards, reports average departments of 42 linear feet in those supers his firm services. These stores average 10%-12% of pretax net profit from less than 1½% of sales, he claims.

Greeting cards and wrap posted an almost 17% sales increase.

Volume totaled \$84.29 million. The trend to one-stop shopping and

suppliers' greater sophistication in dealing with supermarket-style merchandising account for much of these sales increases.

American Greetings' effort to help supers build greeting card sales includes a new line of fixturing set for September introduction in supermarkets. But a spokesman for the company complains that supermarket retailers still don't understand greeting cards. He claims that instead of watching net profits, retailers consider only turns when evaluating the category.

"Supers see our two or three annual turns and feel the category isn't worth it. But if they'd see that average supermarket sales per square foot equal about \$6 compared with greeting cards' \$29 per square foot, they'd think dif-

ferently," he notes.

Of course, the perennial greeting card problem is inventory. Most major greeting card companies contend they still have to fight for understock space in order to avoid out-of-stocks.

Gibson's Everything Up system for their line of Buzza greeting cards is selling "dramatically," according to H. W. Halvorson, vice president. The system was developed specifically to give more shelf space to inventory and to eliminate the need for understock.

Gift wrap: Suppliers of gift wrap report that paper with recognizable characters, such as Holly Hobby, and recognizable designs are moving well. Best sales are coming from gift wrap packs that include matching ribbon, paper and cards. □

Stationery & School Supplies: 1979 Performance—\$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1979 Dollar Volume (Millions)	1978 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/Brands/Sizes at Whse.	Avg. Gross Margin (% of Retail)
Stationery & School Supplies . . .	100.00	\$433.22	\$351.35	23.30	100.00	\$294.38	220	47.2
Envelopes	8.32	36.03	28.98	24.33	9.03	18.45	12	51.2
Tape	9.04	39.17	45.81	- 14.48	9.26	18.92	12	48.3
Fillers	4.70	20.37	20.70	- 1.58	3.82	7.80	5	38.3
Pens, Pencils, Felt Tips	14.46	62.66	40.02	56.57	14.78	30.20	38	48.2
Tablets (Incl. Steno Pads)	6.87	29.77	24.84	19.85	7.56	15.45	17	51.9
Stationery	2.33	10.10	8.86	14.00	2.40	4.91	4	48.6
Crayons, Chalk, Markers	5.06	21.93	13.80	58.91	5.50	11.25	11	51.3
Binders	1.81	7.83	8.28	- 5.42	1.60	3.27	7	41.8
Subject, Theme Notebooks	6.87	29.77	20.70	43.82	6.95	14.20	16	47.7
Paste, Glue, Mucilage	4.34	18.80	11.04	70.29	4.81	9.83	7	52.3
Memo, Scratch Pads	3.25	14.10	12.42	13.53	3.35	6.85	10	48.6
Typing, Tracing, Graph, Carbon Paper/Pads	1.45	6.27	4.14	51.45	1.59	3.24	4	51.7
Twine, Labels, Brown Wrapping Paper	0.46	2.01	2.76	- 27.16	0.53	1.08	2	53.8
Rulers, Compasses, Protractors	0.72	3.13	1.38	126.81	0.83	1.71	8	54.5
Art Materials, Paints, Brushes	0.72	3.13	4.14	- 24.39	0.77	1.57	6	50.0
Erasers, Eradicators	0.72	3.13	1.38	126.81	0.87	1.78	3	57.0
Sharpeners, Staplers, Staple Removers, Paper Scissors	1.08	4.70	4.14	13.53	1.25	2.55	7	54.2
Rubber Bands, Clips, Pins, Staples, Fasteners	0.72	3.13	2.76	13.41	0.87	1.78	5	57.0
Folders, Files, Index Cards	1.45	6.27	6.90	- 9.12	1.55	3.17	8	50.6
Playing Cards, Chips	1.81	7.83	5.52	41.85	1.46	2.99	5	38.2
Gift Wrap, Greeting Cards	19.48	84.29	64.84	30.00	16.95	34.64	13	41.1
All Other Stationery Supplies	4.34	18.80	17.94	4.79	4.27	8.72	20	46.4
Total	100.00	\$433.22	\$351.35	23.30	100.00	\$294.38	220	47.2
% of total store volume . . . 0.20%								

1980 Equipment spotlight

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

August 1980

Under Low Schneiders Stop & Shop's coming back

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7101 WISCONSIN AVE DC 20014**

shopper

Why they turn their backs on supers

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Chain Store Age Supermarkets

August 1980



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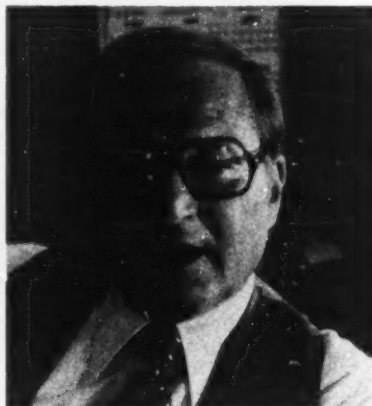
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Why black shoppers turn their backs on supers

A supermarket manager who routinely turns away every 10th shopper will soon be hunting for a new job, maybe even a new career. No question about that. Yet supermarket operators regularly ignore an even larger segment of the market—America's 26 million black consumers.

This is a costly oversight. Black purchasing power exploded in the 1970's, soaring from \$30 billion at the beginning of the decade to \$100 million today. By 1987, this taken-for-granted business will be worth an astounding \$200 billion!

And blacks enjoy a good meal as much, if not more, than their white counterparts. According to the World Institute for Black Communications, black Americans spent \$16.4 billion on food last year, exclusive of \$3.8 billion devoted to eating away from home. Spending included \$15 million on barbecue sauce, \$62 million on salad dressing and \$271 million on potato chips. Blacks also whet their whistle with \$360 million worth of wine and champagne and \$165 million in malt liquor.

80% of the black food dollar to be spent in supers

Blacks are also notable consumers of a number of other important supermarket products. Despite the fact that they represent 11.8% of the population nationwide, these forgotten shoppers buy 23% of the chewing gum, 14% of the instant mashed potatoes, 17% of the floor wax and 36% of the hair conditioners.

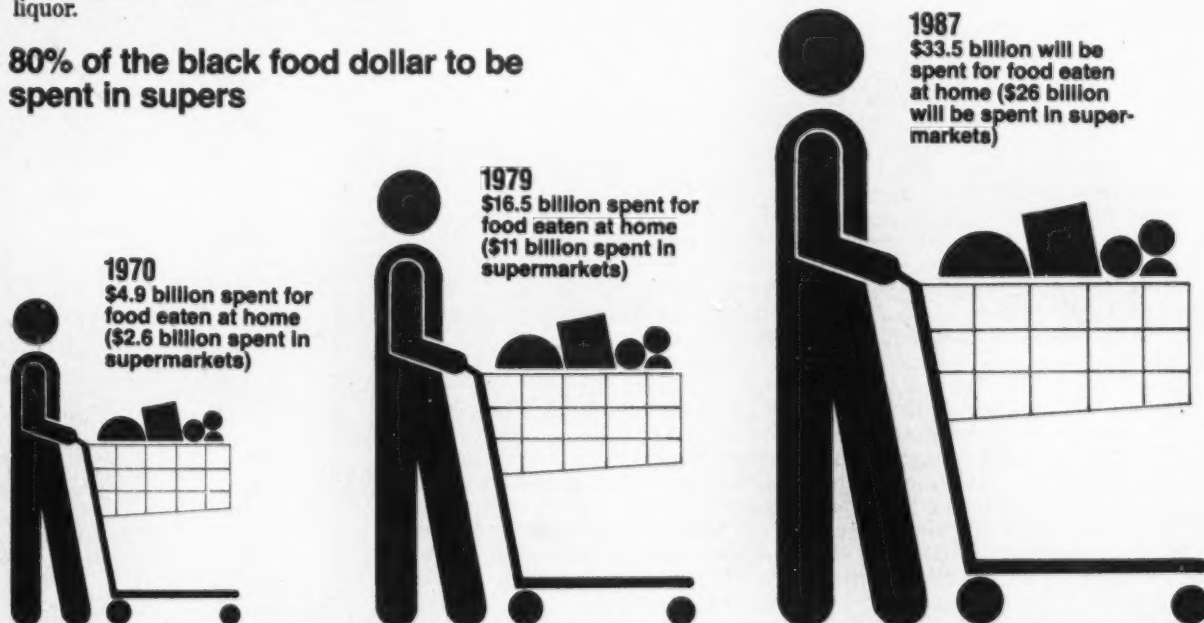
Blacks tend to be more brand-conscious than whites. Private label and generics have little appeal

But the most amazing fact of all is that less than 70% of all blacks shop in supermarkets. This is a marked improvement over 20 years ago, when little more than 50% of blacks patronized supermarkets, but it certainly shows that chains pressing to boost volume are overlooking

a promising source of incremental sales.

"There are a lot of reasons for this," claims Tom Tipton, a black businessman who heads Minneapolis-based Vanguard Advertising Agency. One is the low density of supermarkets in the inner city. This forces black shoppers to turn to local mom-and-pop operations that plugged the gap after the supermarkets followed the white flight to the suburbs.

"But the main reason, quite frankly, is that very few supermarkets let us know that we are welcome in their stores," says Tipton. "Black shoppers are looking for an invitation." The man who heads the country's largest black ad agency considers this the key point of any campaign to attract more black consumers to the supermarket. "It's as simple as issuing a formal invitation to friends. When you get invited to a party, you know you're wanted. You know what type of affair you're



Source: CSA Research, World Institute for Black Communication, U.S. Dept. of Commerce

Why blacks turn their backs on supers

going to. You know what to wear. You know what's expected of you—and you know what to expect." On the other hand, says Tipton, if there is no such invitation, many black shoppers will assume they aren't wanted—and will spend their grocery budgets elsewhere.

Lack of understanding: The problem: Most supermarket operators don't extend that invitation. This is the result of a simple lack of understanding of the wants and needs of black shoppers, not some sneaky form of racism. The greatest indictment, however, is that few supermarketers are expending resources to fill in the data gaps with an accurate picture of their black customers. The result is that black spending in supers is more by accident or happenstance than by conscious thought. This is a sharp contrast to the massive effort super chains make to guide and mold white shoppers' purchase patterns.

Putting a lot of black bodies into store worker uniforms—or even the store manager's office—does not greatly improve a super's standing with potential black patrons. "It's O.K., but not all that important," states Tipton. "Besides, it sometimes reeks of tokenism and appeasement. Black shoppers see through that sort of thing. Sure, we want our rightful share, but nothing is gained by overdoing it."

In fact, white employees sometimes play a pivotal role in determining the success of inner city supers. At least one black grocer, Peggy Hicks of Pittsburgh's Phoenix Hills Shop n' Save, insists that her store benefited greatly when an off-duty white policeman joined the unit's security force. Blacks are more accustomed to dealing with white law enforcement personnel, and this deeply ingrained irrational belief sometimes makes it easier for the white guard to function more effectively.

"What black shoppers want to see are the products we use every day," says Tipton. "And we want to see them advertised and on display the minute we walk in the store."

Or as one black shopper told *Chain Store Age* during an in-the-aisle dialog: "If you want me to shop here, don't show me six different cans of grapefruit juice and only one kind of grape. I don't like grapefruit juice, and I don't buy it. Give me a choice of grape drinks, and I'll be happy to buy." □



Full displays of jams, specialty meats and greens tell black shoppers they're "invited."

More big chains join swing to inner city

Revitalization movements in many of the nation's big-city neighborhoods are luring a growing number of major chains back into the hub of ethnic communities.

Food giants such as Pathmark, A&P, Acme and Kroger see a tremendous opportunity in the highly segregated—and predominantly black—market areas that were taken over by independents when the big chains joined the middle-class exodus to the suburbs back in the early 60's.

Here's a sampling of back-to-the-city ventures:

- Determined to "stick with the cities instead of running away," A&P recently hatched a 30,000-sq.-ft. superstore smack in the middle of the Ironbound section of Newark, N.J. Management expects the unit to generate over \$200,000 a week.

- Returning to within a stone's throw of its original site, Acme Markets this past winter premiered its prototype of the 80's in a rehabili-

Black shopper "best seller" list

Rank	Product carried in a supermarket	1979 purchases in millions of dollars
1	Wine/champagne	\$360
2	Potato chips	271
3	Malt liquor	165
4	Rice	132
5	Paper towels	100
6	Flour	92
7	Salt/seasonings	82
8	Chewing gum	79
9	Canned milk	72
10	Salad dressing	62
11	Hair conditioner	62
12	Corn meal	60
13	Bleach	57
14	Lard	33
15	Cleaners	32
16	Pickles	31
17	Instant potatoes	24
18	Vinegar	20
19	Dried beans/pas	18
20	Barbecue sauce	15

Source: CSA Research

tated section of Philadelphia. Opening week sales topped \$400,000 and it's shooting for half a million once it hits stride.

● Pathmark, one of the leading forces in the competitive northeast,

Blacks have sought status by buying brand names disproportionate to their earning power

is one of a handful of corporate chains carving a niche in New York City, a melting pot of ethnic communities dominated by independent operators. Its 30,000-sq.-ft. super in the heart of one of the most economically depressed areas of the country—the Bedford-Stuyvesant section of Brooklyn—generates more than \$400,000 a week.

While expanded funding by financial institutions along with new Federal programs are spurring inner-city rehabilitation projects, supermarket operators still have to contend with the problems inherent in big cities: rising crime, vandalism, shoplifting and higher occupancy costs.

Moreover, wide ethnic diversities require a keen understanding of each store's unique needs. Sloan's Supermarkets, for instance, has been successful as a strictly inner-city operator (New York) because of a strong community involvement of top executives, product supervisors and merchandisers, district managers in the field and store managers and their staffs.

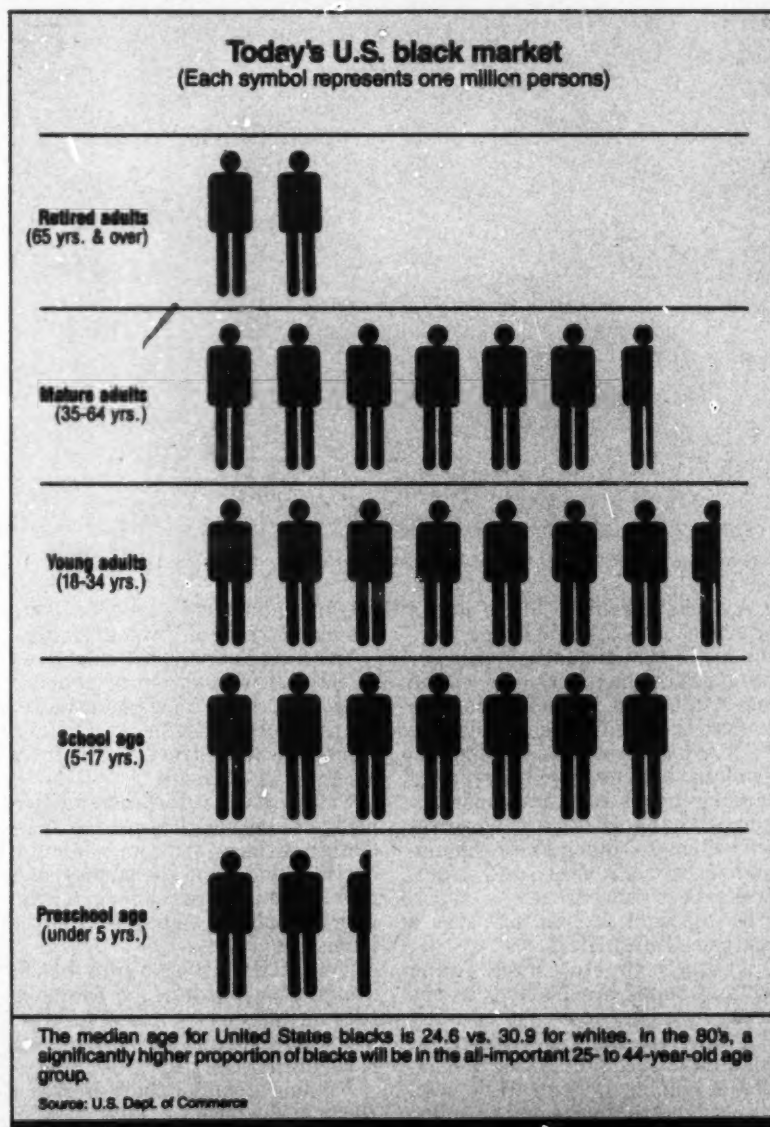
Pathmark's inner-city success comes, in part, from a "better display effort" when merchandising ethnic products. "Except for ethnic displays, we merchandise our city stores the same way as our stores in the suburbs," says a chain spokesman. "It makes little sense *not* to emphasize ethnic products if you're carrying them."

In contrast, Safeway has done an admittedly poor job accommodating black shoppers in Los Angeles. With the city's downtown area in the midst of a commercial building boom, a wave of new competition could weaken the nation's largest chain's hold there even further. □

Meeting the urban challenge

Jumping from an 800-sq.-ft. superette to a full-line 22,000-sq.-ft. supermarket is never an easy step, but it's even tougher when you're a black retailer trying to set up shop in the inner city. Just ask John V. and Edith "Peggy" Hicks. They've faced their full share of problems since joining the select fraternity of black supermarketiers in October 1978 by opening a Shop n' Save in Pittsburgh's Phoenix Hills district.

Although only now approaching its weekly break-even of \$125,000, the Phoenix Hills Shop n' Save has become a driving force in the revitalization of the urban neighborhood it serves. Not only does it fulfill a basic consumer need—there's no other super for two miles in any direction—but the store and its associated mini-mall are the focus of a building boom in this predominantly black (65%) section.



Why blacks turn their backs on supers



Stop n' Save shoppers count on supply of specialty items, sharp price savings.

A Social Security office and a branch of the Carnegie Library are the mall's first tenants, and hopes run high for the addition of several more state and municipal service centers at the site. Meanwhile, the *Pittsburgh Courier* is building its headquarters nearby, housing for senior citizens is under construction, and the Hickses themselves are helping to launch a new community center right across the street. "We expect this part of the city to grow up right around us," says a confident Edith Hicks.

Another hopeful sign: Young white families are flocking to the area, lured by low-cost housing that's perfect for do-it-yourself rehabilitation. This influx of population is helping Phoenix Hills shed its old "ghetto" image and speeding

the neighborhood's re-entry into the mainstream of Pittsburgh life.

"We feel there is a particular need to cater to this group of people," says John. Few know them better than this ex-policeman who patrolled the very streets that border his store for 20 years.

Frustrations: Redeeming this pledge of service has proven frustrating at times, the couple admits, but it hasn't kept the plucky pair from gradually developing a winning formula for selling food in the inner city.

"We still fill in from other sources," says Edith. For example, they buy greens from local growers in season and import them from Arizona during the rest of the year.

Finding qualified help is also a thorn in the business' side. "Unfor-

tunately, many of our people here belong to multigeneration welfare families and aren't geared to working," says Edith. "We have to show them how to dress, deal with customers, report in when they're going to be absent and prepare for the day at the job." This education process has succeeded in some cases, but turnover continues high, even for the supermarket industry.

Skepticism: Just because the owners are black doesn't guarantee success with black shoppers. In fact, says Edith, "They demand more from us than other stores. There's a lot of skepticism toward black retailers."

Blacks hold onto Southern customs, particularly those related to food, music and dialect

High visibility in the store is one way to combat this, the Hickses have found, though some cynical shoppers are still not convinced that the couple isn't a front for white ownership.

As would be expected in a store doing 50% of its business in food stamps, the store's clientele is very price-conscious. It is not unusual for customers to call for prices over the phone or send a child with a written inquiry before actually showing up at the store to buy.

Cherry-picking of specials is rampant. "Sometimes we're forced to limit quantities," says John, "because people even come here from outside the area to get our specials." Thus, though the traffic count is a healthy 16,000 customers a week, the average transaction is still an anemic \$6.05. Phoenix Hills Shop n' Save is countering with advertising drawing on community leader support and a program that lets residents of nearby housing projects ride a special bus to the store for only a dime on Mondays and Tuesdays.

Can the Hickses return supermarketing to inner-city Pittsburgh? The jury is still out, but if determination and commitment mean anything, put your money on these pioneering black retailers. □

—Arnie Katz

New cases put the squeeze on energy use



Reengineering and installation costs for new cases have given some managers second thoughts about retrofits.

Refrigeration companies have been on a crash program of squeezing out as much juice from their systems as possible. Each component of the system is being re-examined, remodeled or outright rejected based on energy-efficiency considerations.

The most visible aspect of this has been cases. Ten years ago glass-door cases accounted for less than 10% of low temperature display cases, according to the Commercial Refrigeration Manufacturers Association (CRMA). Last year, glass doors, including retrofits, probably

accounted for more than 40% of the market, according to industry estimates.

Single-decks are making a strong

comeback, after suffering from an "old-fashioned" reputation during the mid-70's. "We see a push toward single-decks," says Roy Koenig of Tyler Refrigeration. "In southern California, big chains are starting to use as many single-decks as possible, and one run of multideck."

Open multidecks, which use the most energy, are bearing the brunt of energy economy moves. Sales of multidecks slid for the sixth consecutive year, according to CRMA, and now represent just under 20% of the market.

There remains though, a group of

Market share by case type
(1979 sales)

	Share	% change from '78
Single decks	51.4%	+3.1
Glass door uprights	29.3%	-1.8
Open multidecks	19.3%	-4.6

Source: Commercial Refrigeration Manufacturers Association

open-multi enthusiasts, such as Kohl's in Milwaukee and H. E. Butt in Texas, who see the merchandising power of open multidecks as well worth the expense of running them.

Explains David Freedman of Giant Foods, Washington, D.C., "It all starts with merchandising. You can't save anything if you don't sell anything." That message, especially as it relates to glass doors, did not fall on deaf ears, and case designers sought ways to make the cases more merchandisable.

Coincidentally, one of the answers was found in the retrofit concept. "When we first saw retrofit installations in California we felt there were some merchandising advantages built in by accident," says C. V. Hill of Hill Refrigeration.

Because of the original case configuration, shelves were 10 in. from the retrofitted doors themselves, and lights were in a horizontal position. The original factory-made glass reach-ins had shelves almost flush against the glass and vertical lighting panels, making it difficult for customers to reach around.

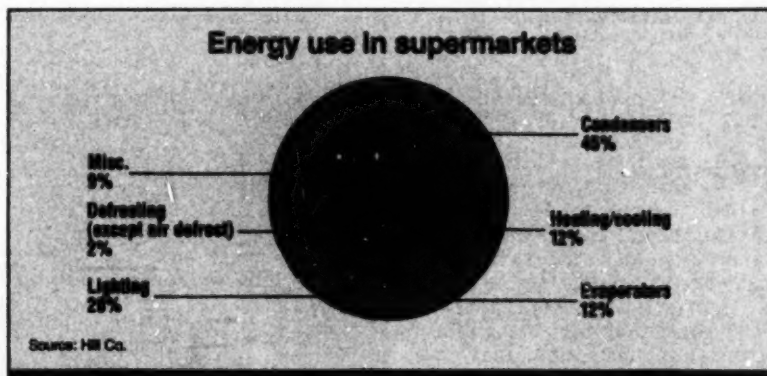
This year Hill, Tyler, Hussman and Warren Shearer have all redesigned cases for a more open look, and made it easier for consumers to reach for impulse items, just like the retrofits. Cases are also available with a bottom bin for larger items, similar to the multis.

Some merchandisers are still debating whether to shift from open multis to glass reach-ins. Others are wondering whether to retrofit multidecks or buy new glass reach-ins.

The issue is not an easy one because it involves logistical, engineering, merchandising and geographic problems, each relating to payback. On the plus side is price: retrofits generally cost a supermarket about \$250 for each linear foot retrofitted, vs. about three times that for a new glass door reach-in.

But, if utility rates are not more than three cents a kilowatt/hour, if the cases are connected to a heat reclaim system, require resizing of refrigerant lines or do not have more than a five-year usefulness expectancy, retrofits may not be the answer.

Total value: These types of questions have forced changes in the way manufacturers sell their equipment. "The guy who buys our equipment looks now at a total



value," says Peter Houton of Warren Shearer Inc. "He doesn't stop at the initial costs, but evaluates what the operating costs will mean over the life of the equipment.

"By the same token," he continues, "we make a value judgment. We can afford to spend more money to make it operate at a lower cost."

Indeed, they did. Current refrigeration machinery is almost twice as efficient as it was 10 years ago.

Take fan motors, for instance. A regular fan motor only operates at

the machinery to operate at lower suction at the expense of power."

Essentially, electronic controls are "smarter" than evaporator pressure controls because they can sense what is happening in the system while it is happening and make adjustments to within half of one degree of required temperatures.

Pressure controllers allow the system to operate at lower efficiencies because they are set to react after the fact, making the system operate in a see-saw fashion.

The compressor units that the sensors control are also changing. Parallel compressors, long the standard of the industry, are being augmented by variable speed groupings that provide the right amount of power for the right needs.

"You take a 30,000-sq.-ft. supermarket, and there might be several thousand groupings of condensing units that could do the job," says Hill. "But it is the most efficient grouping that is important."

Hill and other companies have turned to computers, which can plot exact configurations of compressor condenser units to run the cases, a technology not available in the past. These configurations give the system the ability to use only the power that is needed. With older systems, an increased demand in one case could trip the whole system, wasting valuable energy.

Refrigeration engineers believe they are at the beginning of electronic systems development.

The extent of the changes will largely be dictated by energy economics and the changing needs of the supermarket industry. "One thing we should all keep in mind," says Hill, "is that we're not trying to show just how smart we are. If it doesn't benefit the retailer there's no reason to do it." □

Electronic controls mean a more efficient future for refrigeration units

about 18% efficiency. (The rest of the energy is lost.) But by using a split capacitor fan motor—one that blows in either direction—engine efficiency is increased to 40% or 50%. The split capacitor costs three times as much, but it is still cost-efficient.

Manufacturers are also spending more money on the little things: more insulation and more aluminum (a more efficient conductor than stainless steel).

Electronic controls: But the biggest revolution in refrigeration engineering has been the switch to electronic controls from electromechanical controls. "An electronic control regulates the system by the use of the temperature-sensing device," says Jim Neely, an applications engineer at Hussman Refrigeration. "We've pretty much gotten away from pressure controls that allow pressure drop and cause

GMDC: the second decade
Rating the nation's top wholesalers

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

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Independents
prosper where
GPs have failed

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Chain Store Age Supermarkets

September 1980



A&P closed 1,400 stores over the past five years. The stores didn't just walk away; some now have new legs to stand on . . . page 21.

Special Report

Launched 10 years ago by non-foods wholesalers who wanted their special demands heard by the supermarket industry, GMDC today leads the list of progressive trade associations. Its front-running position, however, doesn't make it immune to current economic strains. Scanning, inventory control are among the top concerns . . . 39

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Correction

The incidence of purchase charts appearing in the July edition should have shown the percentage change in the first quarter of 1980 calculated against movement for calendar 1979, not the first quarter of 1979.

Independents mine gold

books, and the Knopps are looking for a new front-end system to handle the increased traffic.

The merchandising is also unusual. As part of the Charley Bros. Co. voluntary, Knopp is on a strict diet of discounting, with frequent coupon binges. "A&P tried to push their private label too hard," adds Knopp. "We don't do a tremendous job pushing private label. We offer all the national brands, too, and it seems to give us a better variety."

This is the same Charley Bros. vice president Jim Scott brought with him from the Shop Rite (N.J.) cooperative. It has made the Shop 'n Save group, which now runs 25 former A&P locations, the most successful voluntary in any major market, Scott says. It is making Walter Knopp a happy man.

Mid-Atlantic: Doing better than A&P? "Oh, yeah," says Jim Fitzgerald, a little surprised at the question. "I couldn't live on what they made."

Neither could A&P. So the company closed its 18,000-sq.-ft. unit in West Simsbury, Conn., and the Fitzgerald Brothers, Jim and Jack, moved in.

The brothers have been super-market managers since 1946, starting with a small store in Hartford.

The A&P location is their largest, but they took pains to make sure every detail was what they wanted. "We had to revamp the whole lineup. A&P's frozen were in the middle, and we wanted them in the last aisle," says Fitzgerald. "We had to add dairy cases and frozen food coolers, fix another meat preparation room."

Quality and courtesy are the store's strong points, but Fitzgerald has been around long enough to know that it won't make up for higher prices. "Two or three years ago this area wasn't that price-sensitive," he says, "but now it sure is."

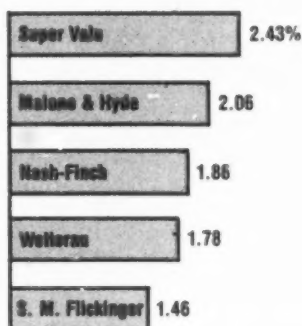
For Fitzgerald, the only way to succeed in a market of price-cutting is to stay on top of things. "There isn't too much different you can do," he says. "Everything changes, and we change with it. But I do the supervising and make the decisions myself."

With a track record 35 years long, he apparently has not been wrong too often. □

Big wholesalers gra

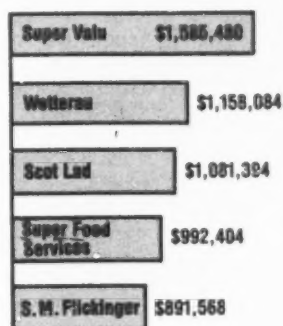
Operating income (% of sales)

Top five volunteers



Sales per unit served*

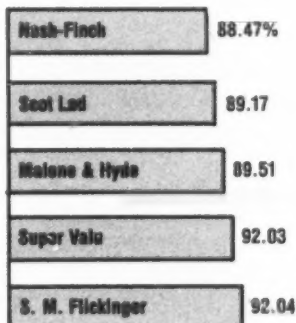
Top five volunteers



* Primarily at wholesale prices

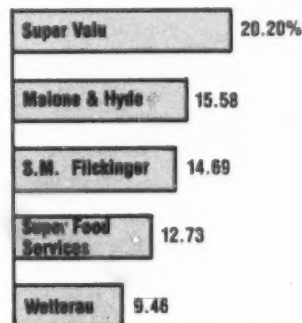
Cost of sales (% of total sales)

Top five volunteers



Compound growth*

Top five volunteers



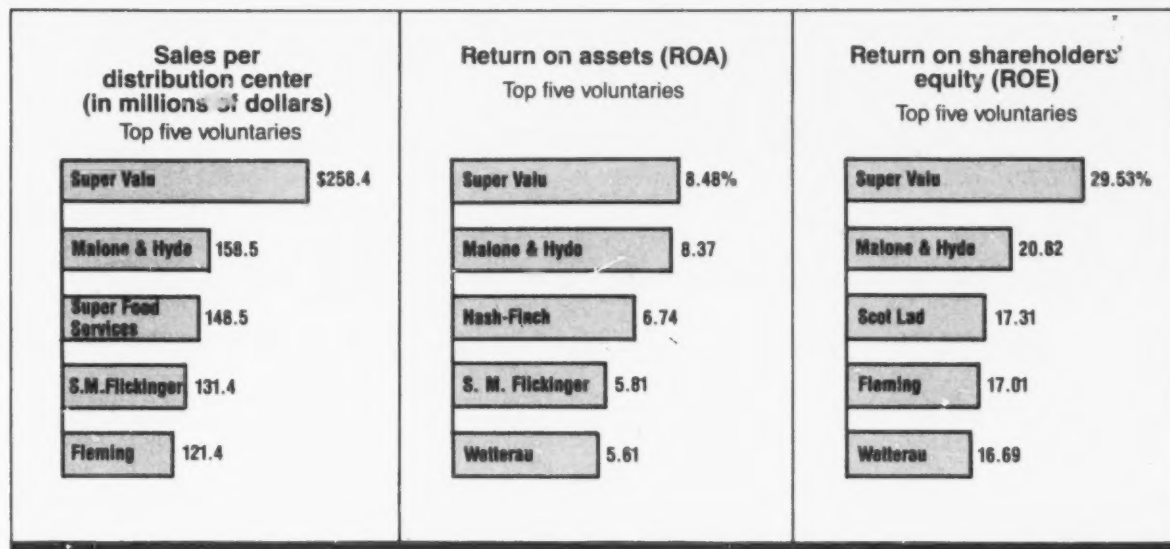
* Fiscal or calendar years 1975-1979

Source: CSA Research, Company Annual Reports, S.E.C. Form 10K

The age of the small voluntary wholesaler may well be drawing to a close. *Chain Store Age Supermarkets'* review of this important food business segment reveals that there are now 25% fewer wholesalers than there were just four years ago. If the present trend continues—and there's little reason to think it won't—the nation's independent grocers soon may be served by no more than 25 or 30 such mammoth operations.

The reason for the rapid compaction of the food distribution business is obvious: the major, multi-market-area voluntary wholesalers are buying up local and regional distributors at a furious pace. It has become a rare event for a fiscal year to pass without Super Valu, Fleming and other acquisition-minded giants adding at least one smaller company to their holdings. During fiscal 1979, Miliken, Tomlinson Company, Blue Ridge Grocery and Parkview Markets were among the smaller firms that were absorbed

b larger market share



by larger ones, following in the footsteps of such notable formerly independent wholesalers as G. H. Delp, P.A. & S. Small and Charley Brothers.

The changing role of the wholesaler in the food industry has done much to spur mergers. No longer just a conduit for product between

the manufacturer and the grocer, today's voluntary wholesaler is responsible for providing a broad range of services to its retailer customers. It is often the resources of the voluntary that make it possible for an independent to slug it out successfully with big chain competition.

The bigger the wholesaler, the more support it can furnish. This helps customers keep growing, and that growth, in turn, generates even more business for the voluntary. So that while bigger is not automatically better, it frequently turns out to be when it comes to food wholesaling. □

Super Valu tops voluntaries list

The knack of helping its retailer members take advantage of the opportunities created by big chain re-trenchment aided Super Valu to another year of record sales and earnings in fiscal 1980. During the most recently completed 12-month reporting period, the Hopkins, Minn., wholesaler chalked up sales of \$3.1 billion for its food operation, a 13.5% improvement over the previous year's \$2.7 billion.

While big sales gains are pretty much par for the course in these days of double-digit inflation, few chain or independent retailers can match the company's fiscal 1980 profit performance. Operating earnings before taxes reached \$75.4 million for Super Valu's food operations, a healthy 17% improvement

over pretax earnings of \$64.7 million recorded in fiscal 1979.

Overall, Super Valu notched sales of \$3,475,193,000 in fiscal 1980, 14.6% higher than fiscal 1979 revenues of \$3,003,008,000. Total operating earnings were \$104,851,000, which translated into a net income of \$45,343,000.

Super Valu has distinguished itself as more than just a conduit for retail groceries. While the company certainly does an effective job supplying 1,956 customers from its 12 major distribution centers, it also offers a wide range of programs designed to help independent supermarket operators boost their sales volume by effectively meeting super chain competitive thrusts.

The wholesaler/retailer is espe-

cially proud of its strong merchandising programs. A good example is the Consumer Dividend Days promotion Super Valu implemented last fall. For four weeks, Super Valu and most customers in its divisions drastically slashed prices on frozen foods, produce, beef and dry grocery products. The result: a 20% sales volume gain over the comparable period of the previous fiscal year.

A history-making business agreement negotiated between the wholesaler and the Great Atlantic & Pacific Tea Company has even greater long-term implications for both Super Valu and many of the independents it serves. Under terms of the pact, retailers under the Super Valu banner acquired nu-

Wholesalers grab larger market share

merous shuttered A&P outlets.

By the end of the fiscal year in February, Super Valu clients in Pennsylvania, Ohio, Wisconsin and West Virginia had already reopened 45 former Tea Company stores, with at least four similar units scheduled to enter the Super Valu fold sometime in calendar 1980. The 45 now on-stream represent a considerable chunk of incremental

building.

- High-pressure sodium lamps, which consume less energy than other forms of illumination, provide all lighting.

- An on-line computer generates instantaneous inventory data that dovetails with a new storage system designed by the company's own industrial engineers to improve movement of product into and out of the

Why Super Valu holds the top spot

Criteria	Calibration	Rank
Compound Growth	20.20%	1
Sales per unit	\$1,585,480	1
Sales per distribution center	\$258,434,410	1
Operating income (sales)	2.43%	1
Cost of sales (sales)	92.03%	4
Return on assets (ROA)	8.48%	1
Return on equity (ROE)	29.53%	1

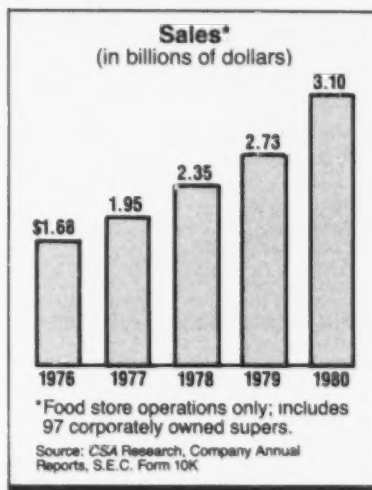
Source: CSA Research

business, approximately \$82 million in wholesale volume last year—and this year's total could well exceed \$100 million.

Super Valu also expanded in a more traditional way, by acquiring another wholesaler. As the fiscal year drew to a close, Super Valu finalized its buy-out of Ryans Inc., a wholesale food business based in Billings, Mont. This westernmost arm of Super Valu supplies 189 supermarkets in Montana and Wyoming from its distribution facilities in Billings and Great Falls. Ryans logged sales of \$128 million in its most recent fiscal year.

Super Valu's quest to increase productivity and efficiency in its distribution operation marked a milestone last year when the company cut the ribbon on a new 321,401-sq.-ft. facility in Fargo, N.D. Among the features this energy- and space-efficient warehouse boasts:

- Each section is individually temperature-controlled so that all products can be stored at appropriate temperatures.
- A heat reclamation system fitted to all refrigeration compressors is used to warm other areas of the



house.

Escalating trucking costs figure to get top priority during the current fiscal year. Installation of fan clutches and radial tires on Super Valu trucks will help hold down fuel

Net earnings*

(in millions of dollars)

		% to sales
1976	\$11.71	0.70
1977	15.35	0.79
1978	20.98	0.89
1979	26.81	0.98
1980	32.60	1.05

*Food store operations only; includes 97 corporately owned supers.
Source: CSA Research, Company Annual Reports, S.E.C. Form 10K

consumption. John E. Morrissey, senior vice president for distribution, reports that computer-determined routing and dispatching of trucks is also cutting down on mileage to save fuel.

Although food is still Super Valu's primary business, diversification has occurred in recent years. Retail general merchandise operations, primarily ShopKo mass merchandise and County Seat casual apparel stores, accounted for 10.8% of total sales and 28.1% of pretax earnings last year. The nonfoods operations will get a healthy slice of Super Valu's \$140 million capital expense budget during fiscal 1981, but food operations are slated for \$89 million in expansion funding, 63% of the company's capital budget. □

Fleming: the big get bigger

Modernization of some major distribution facilities and rampant expansion by retailer customers paid off handsomely for Fleming Companies in fiscal 1979. Sales rose 13.4% to a record \$2.5 billion, and earnings also established a new highwater mark of \$16.4 million.

"Fleming's capital spending program has emphasized the expansion and upgrading of existing distribution centers and the construction of new facilities where needed to support the company's growth," explains a spokesman for the Oklahoma City, Okla.-based wholesaler. "Since the beginning of 1974,

four completely new distribution centers have been constructed, and 10 enlargements and remodelings have taken place."

Fleming is currently placing special emphasis on the installation of mechanized order selection equipment. Fleming's new Oklahoma City distribution center operated so successfully with such a system during its first year that the company now plans to put similar equipment into its Houston facility, which is scheduled for a major remodel this year. Also under construction is a facility exclusively intended for the distribution of gen-

Wholesalers grab larger market share



eral merchandise, located in Dallas, Tex.

As already mentioned, Fleming reaped tremendous gains as a result

of unparalleled expansion by its affiliated retailers. Operators of the 2,576 units served by the company's 17 distribution centers opened a whopping 102 new supermarkets during fiscal 1979, equivalent to 2.1 million sq. ft. of retailing space. This represents the largest store-level expansion in Fleming history. In one division alone, Oaks, Pa., Fleming added 37 new supermarkets in fiscal 1979, most of which are members of the Thriftway voluntary group.

Although Fleming spun off its profitable trailer manufacturing business during the year, it was in no sense a retrenchment. Company officials stressed that the sale was intended to take Fleming out of areas outside its normal business of distribution. Meanwhile, Fleming

Earnings*
(in \$ mils.)

Year	Earnings	Net-to-sales
1975	\$11.7	0.74
1976	12.7	0.70
1977	13.8	0.67
1978	14.6	0.65
1979	16.4	0.66

*Includes 46-unit Dixieland Group
Source: CSA Research, Company Annual Reports, S.E.C. Form 10K

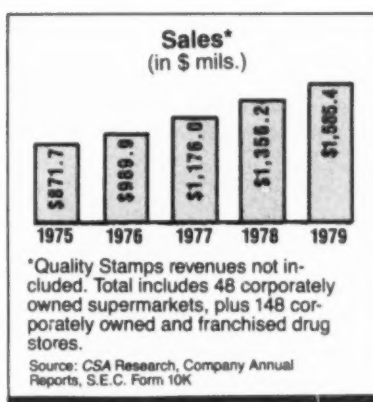
increased its position in food distribution through acquisition of Blue Ridge Foods. According to a Fleming spokesman, performance of this new division is already excellent, with even better results expected in the current fiscal year. □

Malone & Hyde: new facilities spur profits

Why is Malone & Hyde consistently among the leaders in the food business in financial performance? While there are many elements that go into making a successful wholesaler, there's no denying that the Memphis, Tenn., company's continuous modernization program has contributed greatly by giving it an all-important edge in productivity. This advantage was an important factor in propelling Malone & Hyde to its 18th consecutive year of record sales and earnings.

Eliminating the effect of its profitable Quality Stamp division, Malone & Hyde chalked up sales of \$1.59 billion in its most recent complete fiscal year, nearly 17% better than fiscal 1978's total of \$1.36 billion. Thanks in large measure to the wholesaler's corps of productivity-minded managers, net earnings did even better. Income, again exclusive of Quality Stamps, rose 19.8% to \$19.01 million. (These figures include revenues and profits generated by 48 corporately owned supermarkets and 148 company-owned or franchised drug stores.)

Including all facets of its operation, Malone & Hyde achieved sales of \$1.62 billion in fiscal 1979, a 16.8% increase over the previous 12-month period. Net profits also climbed,



soaring 19.1% to \$21.27 million from 1978's \$17.86 million.

The Tennessee wholesaler's physical plant is so up-to-date—over 70% of Malone & Hyde's warehouse space is less than five years old—that its facilities required no major capital improvements in 1979. The fact that the company maintains the third-lowest cost of sales among volunteers despite serving more different customers (2,500) than any other wholesaler except Fleming testifies to the efficiency of its distribution system.

During the year, Malone & Hyde made the first of several moves to

Earnings*
(in \$ mils.)

Year	Earnings	Net-to-sales
1975	\$12.75	1.46
1976	11.94	1.21
1977	12.99	1.10
1978	15.86	1.17
1979	19.01	1.20

*Profits from Quality Stamp division not included. Total includes 48 corporately owned supers and 148 corporately owned or franchised drug stores.
Source: CSA Research, Company Annual Reports, S.E.C. Form 10K

sharpen its operation in Florida by acquiring Grand Union's 75,000-sq.-ft. perishables warehouse. Besides becoming the dairy, produce and meat supplier for 69 GU's, Malone & Hyde was thus able to expand lines offered to its other customers. The company is currently expanding the perishables warehouse by 55,000 sq. ft. and building a mammoth grocery warehouse on an adjacent tract. The resulting 500,000-sq.-ft. distribution center will be on-stream this fall, signaling a major competitive move into the Sunshine State during the next fiscal year. □

Wholesalers grab larger market share

Wetterau: 50 years of sales growth

Sometimes even good performance isn't quite good enough. Although Wetterau logged higher sales for an incredible 50th year in a row—and scored record earnings for the 42nd year out of the last 43—top-level executives of the Hazelwood, Mo., wholesaler candidly admit that they had hoped for better results in fiscal 1980. "Operating management was not satisfied with the earnings performance for the year," states a spokesman.

By most measures, however, Wetterau did well last year. Net sales increased 17.0% to \$1.24 billion, compared to a total volume of \$1.06 billion in fiscal 1979. Profits

failed to keep pace, yet still rose 10.1% to \$13.83 million.

Besides the usual litany of problems affecting all wholesalers—high inflation, increased energy and labor costs and softened demand for some products—Wetterau's performance suffered as a result of some specific problems. The most important of these were:

- A strike at the Hazelwood bakery, which closed the Hazelwood Food Services division to in-bound traffic, reducing first-quarter sales.
- A two-week strike at the Reading (Pa.) division, which took a little of the steam out of an otherwise outstanding year.
- The decision to close a number of marginal stores served by the Midwest divisions, which had a short-run depressive effect on volume, though the long-term result is expected to be a reduction in receivables and an improved earnings.

There were plenty of bright spots, too. Chief among them was the Reading division, known as the G. H. Delp Co. until Wetterau bought it in 1976. □



Earnings
(in \$ mils.)

Year	Earnings	Net-to-sales
1976	\$ 9.9	1.18
1977	11.3	1.24
1978	10.3	1.05
1979	12.6	1.19
1980	13.8	1.12

Source: CSA Research, Company Annual Reports, S.E.C. Form 10K

Flickinger profits soar as sales rebound

Top management of S. M. Flickinger Co., buoyed by an upturn in volume in fiscal 1979 after experiencing a year of reduced sales, has set a lofty goal for fiscal 1980. They are predicting the first

billion-dollar year in the company's 78-year history.

Flickinger's sales inched ahead just 5.8% during the most recent 12-month reporting period, growing from fiscal 1978's \$869.5 million to a record \$920.1 million. The profit picture was considerably more encouraging. Net earnings reached \$6.5 million, a 13.3% improvement over the previous year's \$5.7 million.

As with most of the other leading wholesalers, Flickinger has capitalized on opportunities arising from geographic retrenchment by big supermarket chains. The company's biggest move during fiscal 1979 was the purchase of 32 supers from the Acme Markets division of American Stores.

The Buffalo, N.Y., wholesaler also transferred 13 supermarkets formerly operated by the Great Atlantic & Pacific Tea Company in Ohio to independent ownership.

Flickinger got some bad news during the first quarter of the new

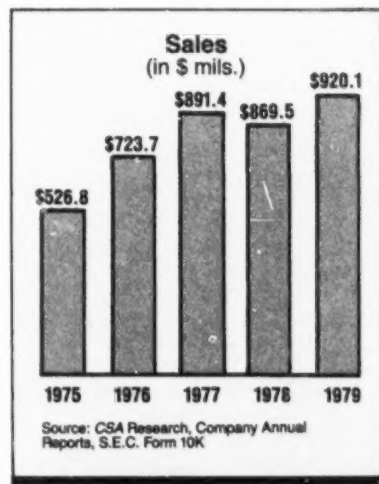
Earnings
(in \$ mils.)

Year	Earnings	Net-to-sales
1975	\$3.7	0.71
1976	4.5	0.63
1977	5.6	0.63
1978	5.7	0.66
1979	6.5	0.70

Source: CSA Research, Company Annual Reports, S.E.C. Form 10K

fiscal year, when Niagara Frontier Services, Buffalo, announced it would build its own warehouse. Relations between the two concerns reportedly remain cordial, with Flickinger set to keep supplying dry groceries and frozen foods until the facility is completed in October 1981. Meanwhile, company executives state that acquisitions by Flickinger will more than offset the potential loss of business. □

—Arnie Katz



Supermarket employees find paradise at Nob Hill
1980 Nielsen Review: Will shoppers accept the "retort"?

ChainStoreAge Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

October 1960



A red-hot issue:

Can retailers control direct store delivery?

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

October 1980



Safeway has entered the limited assortment store sweepstakes with Food Barn units coast to coast p. 28.

1980 Nielsen Review

In its 45th annual recap of the retail grocery industry, A. C. Nielsen examines trends and outlook in new item introductions, retortable pouches, space allocations, frozen and refrigerated foods and health and beauty aids 45

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A&P inks union pacts

Great Atlantic & Pacific Co. officials are aglow over the new labor pact signed with the Amalgamated Meat Cutters/Retail clerks unions in the Metro New York Area.

The three year contract, which A&P president James Wood says "will give us the flexibility needed to reduce current high labor costs," covers clerks and butchers in the Long Island, Bronx, and New Jersey divisions.

A&P wrung two major concessions from the unions: the right to schedule clerks on a split shift, and the right to let go employees hired before Aug. 7, 1971.

Under the old contract, that group of higher-paid employees, if displaced by store closings, had to be reassigned to other stores. The new contract allows them to be let go upon payment of \$300 for each consecutive year of service.

Over its life, the contract provides increases of about \$100 per week for meat cutters and \$75 per week for clerks.

Union officials were closed-lipped about the agreement, although the membership was not. Said one veteran meat cutter, "I think they got off cheap."

Ralphs rings up scan specials

Every time a supermarket chain moves to end individual item pricing in one of its scanner-equipped stores, the inevitable howl is: How will shoppers benefit from the cost-savings?

Ralphs newest promotion is helping to answer that question. The West Coast retailer is now offering 40-50 in-store "scan specials" every week, yielding savings to shoppers of up to 10¢ an item.

Heavy use of shelf signage is the

key to the promo. Ralphs is using no less than three POP pieces: a bright red "Scanner Saver Special" plastic shelf talker; another "Scanner Saver Special" placard detailing the specifics of the program and a small sign indicating the regular price, the sale price and the amount saved.

F.D.A. hedges on caffeine

The Food and Drug Administration last month removed caffeine from the GRAS list—generally regarded as safe—following a study of pregnant rats that showed caffeine caused birth defects.

An F.D.A. spokesman added, however, that "So far our review of people shows no definite or conclusive effect on human beings."

In a parallel decision, the F.D.A. announced that soft drink manufacturers would no longer be required to use caffeine in products labeled "colas" or "peppers." Because soda nuts contain caffeine, the soda makers had been required by law to ensure that any product labeled "cola" contained caffeine.

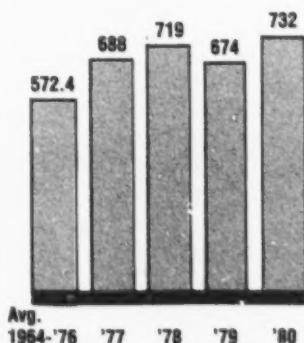
In the study, pregnant rats were fed the caffeine equivalent of 12-24 cups of coffee per day. The F.D.A. said the study indicates that caffeine caused missing toes or parts of toes in some fetuses.

Items debut at record pace

"Damn the recession—full speed ahead!" is apparently the motto of grocery manufacturers this year. Despite the continuing economic troubles, 8.6% more new products reached supermarkets during the January-July 1980 period than in the comparable portion of the previous year.

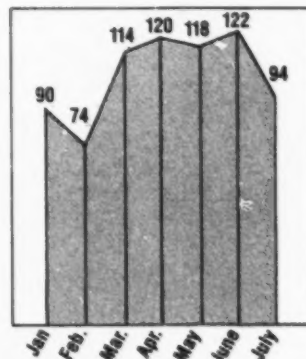
Over the first seven months of 1980, *DFS New Product News* reports that manufacturers rolled out 732 new items, compared to 674 in 1979. Activity was particularly brisk during the spring, with more than 360 products premiering.

Year-to-year trend is up
(January to July)

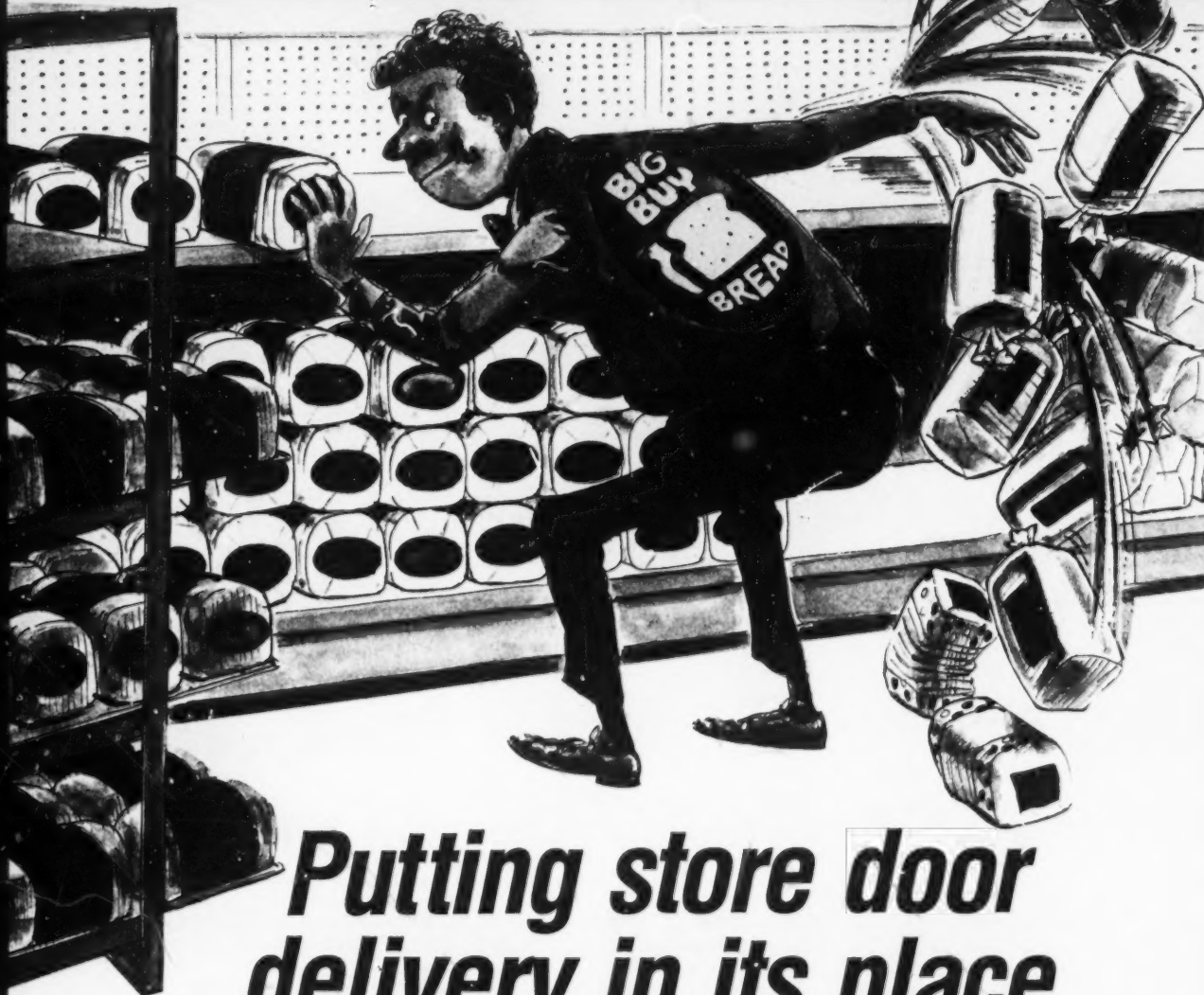


Source: DFS New Product News

New items flower in spring
(1980)



Source: DFS New Product News



Putting store door delivery in its place

Supermarketers can't live without direct store delivery, but more and more of them aren't entirely sure they can live with it, either. Long considered the best way to distribute fast-turning perishables to individual stores, DSD is now getting close scrutiny from chain managements. Although industry inertia has kept dissatisfaction mostly at the talking stage, there is obvious, widespread interest in fine-tuning store door to maximize the profitability of affected departments.

It is impossible to overestimate the current importance of direct store delivery. The typical supermarket receives 27%-30% of all the goods it sells via this method. Actually, the figure can run as high as 33% in superstores that feature expanded assortments of fast-turning DSD lines. Supers located in cities

also tend to make greater-than-average use of direct store delivery, because their consumer purchase patterns are frequently skewed toward items like milk, bread, soft drinks, snacks and other DSD categories.

Store door-dominated departments are above-average contributors to overall store profitability. Products delivered by DSD account

for as much as 37% of total store gross profit.

A canvas of 30 retailing institutions by Paul F. Shaffer Co. of Miami, Fla., pegs the average DSD shipment at 8.3 cases of product worth \$144. One of the principal reasons for the development of DSD in the first place was the need for frequent—even daily—resupply of some fast-turning items. It is not surprising that the same survey indicates that 48% of all supermarkets get 100 or more deliveries a week.

The management consulting firm also studied the traffic pattern of DSD vendors in a typical store and turned up some significant data about how the system functions. During the prime 7:30 a.m.-10:00 a.m. delivery period there was an average of nine vendors in the store during each 10-minute measure-

(Continued on p. 36)

Superstores cope with over 15 deliveries a day

Deliveries per week	% Stores	Total weekly sales (avg.)
100+	48	\$120,000+
80-100	28	100,000+
60-80	12	90,000+
40-60	12	60,000+

Source: CSA Research

Putting store door delivery in its place



DSD gives stores the service they need on fast-turning items such as beer.

How labor savings stock up by category

	Delivery ⁽¹⁾ labor	Vehicle cost	Billing ⁽²⁾ cost	Total cost
Bakery	\$92.63	\$17.00	\$2.00	\$111.63
Milk	74.82	21.00	2.00	97.82
Soft drinks	55.06	26.36	2.00	83.42
Beer	23.97	27.00	2.00	52.97
Weighted average	65.20	22.20	2.00	89.39

⁽¹⁾Soft drinks (\$8.55/hr.), milk (\$10.25/hr.), bakery (\$10.95/hr.), beer (\$8.50/hr.).

⁽²⁾Exclusive of store receiver and invoice checking costs.

Source: Paul F. Shaffer Co., CSA Research

ment period. The super observed had 175 deliveries during the week, exclusive of front-door rack vendors for departments like greeting cards, candles, hosiery, film/photo and magazines. Each vendor spent an average of 43 minutes inside the supermarket per trip.

Team confusion: The fact that it

costs the unit in question 13 man-hours to process the week's DSD invoices is symptomatic of the confusion that frequently reigns in this area of store operations. "Sometimes, it's like a baseball team without a manager," says Paul Shaffer, president of the consulting firm that bears his name. "The dairy

buyer is on first, the bakery buyer is on second and the soft drink and beer buyer is on third—and they all run on their own."

Recognizing the need to bring a little order out of this confusion, retailers have increasingly turned toward centralizing responsibility for receipt of DSD shipments at the store level. Today, 86% of the nation's supermarkets have an assigned receiving clerk.

On the other hand, 70% of supers still do not have a reliable method for monitoring sales of DSD products. Application of modern computer technology, primarily scanning, to the problem should drastically reduce the number of supermarkets operating by the seat of

Beverages top DSD list

Item	% DSD	% Through warehouse
Soft drinks and wine	84	16
Bakery, cookies, crackers	82	18
Chips	82	18
Milk	80	20
Ice Cream	77	23
Other dairy	55	45
Box-type dairy meat	27	73
Weighted average (all items)	70	30

Source: Paul F. Shaffer Co., FMI, CSA Research

their pants over the next few years.

Assigned receiving clerks and scanning may help tone down the chaos, but most retailers agree that direct store delivery vendors are a prime source of shrink. Obviously, all DSD people aren't dishonest, but there's no denying that the loose structure of the store door system opens the gates to a nearly endless variety of wrongdoing. Some common vendor plays:

- Squeezing extra shelf space for display of their products at the expense of competing brands and without the store manager's knowledge.
- Underpricing, which slices the grocer's profit margin.
- Destruction of returnable goods. Who knows what finds its way into the store's compacter?
- Collusion between vendor and clerk, usually involving mis-billing.
- Sneaking returnables out of the store, like flattening loaves of bread

The other side of direct store delivery

Direct store delivery thrives because, despite the failings and shortcomings of the system, it provides retailers with important assistance at store level.

Approximately 53% of the supermarket store managers polled by Lebhar-Friedman Research believe that shelf maintenance, including stocking and rotating of product, is the most valuable function performed by DSD vendors. Other benefits cited frequently include:

- Fresher perishables. DSD allows prompt shipment that makes the most of the short shelf life of such items as bread and milk.

- Labor control. The cost of the vendors work is known in advance, while store workers are more prone to fall-offs in productivity.

- On-time, everyday delivery. Some products must be restocked every day, which is not possible for most operations shipping from a central warehouse.

From the stand point of headquarters management, direct store delivery also relieves the chain of the responsibility of warehousing numerous high-ton-

Supermarket managers compare store door to warehouse delivery						
	% Much better	% Slightly better	% About the same	% Slightly worse	% Much worse	% No ans.
Profitability	29	25	19	12	9	6
Frequency of delivery	41	15	25	8	4	7
Freshness	47	16	30	1	0	6
Out-of-stock	27	16	34	11	3	9
Department maintenance	28	16	39	8	3	6

Source: Lebhar-Friedman Research

nage sku's. For example, many superstores are now carrying up to 150 different cigarette brands. DSD eliminates the need to add storage space at the distribution center for so many additional fast-turning items.

This recognition of the benefits of DSD goes far to explain why the supermarket world has been reluctant to embrace an alternative approach such as the consolidated distribution center. Many feel that streamlining and

tightening DSD procedures is the best course.

Observers contend that the advent of scanning will soon provide retailers with the product movement data on DSD they need in order to more productively administer the store door system. Since 70% of operations do not now have a method of capturing this all-important data, electronic technology may fill the information gap and improve efficiency of direct store delivery.

in the bottom of an empty tray.

- Outright theft, like steaks exiting the store in a salesman's briefcase.

One suggestion for curing DSD's ills is the consolidated distribution center. All participating vendors would assemble their products at

the center. Then workers would pull orders for each individual store and prepare a single invoice for the whole shipment.

Advantages include increased productivity all along the distribution chain, reduced fuel costs for delivery vehicles, elimination of

multiple invoices and the need for a special receiving clerk, greater control of the operation at the store level.

An analysis of costs indicates that the consolidated distribution center could be a real money-saver. The present DSD system has an average cost of \$110.50 per hundred cases. A CDC set-up, anchored by a 100,000-sq.-ft. warehouse—enough to serve all stores in a large metropolitan area like Miami or San Francisco—would trim the cost of delivering 100 cases to \$85.20.

Naturally, there are obstacles. Apart from a generalized resistance to change, barriers include the difficulty of setting up such a centralized system, the question of who would control the center, the present efficiency of a select few vendors such as the soft drink bottlers and the lack of organization among the small-store retailers who might benefit the most from such a CDC system.

Given these factors, it is likely that store door delivery will remain an integral part of the supermarket scene for many years to come. □

—Arnie Katz

Consolidated distribution center reduces per case cost by 23%

	Present DSD system	Projected CDC costs
(Dollars per 100 cases)		
Warehousing	\$ 5.50 ^(A)	\$28.80
Product transfer to CDC	34.96	5.10
Delivery	34.96	15.00
Stocking (store labor)	52.44	25.00
Billing	2.00	1.00
Store Receiver	9.40	2.40
Invoices	6.20	1.60
Presell salesman ^(B)	—	6.30
Total cost per 100 cases	110.50	85.20

^(A)Selection and loading of trucks is only cost included.

^(B)A salesman who visits the store prior day to take orders, build special displays, etc.

Source: Paul F. Shaffer Co., CSA Research

1980

NIELSEN REVIEW

of retail grocery store trends





To our friends in the retail grocery industry:

The current Grocery Review, the 45th in succession, is again being offered as a service to the grocery industry and a means of giving a special thanks to the retail organizations from whom we are receiving cooperation every month of the year.

In our current issue, we have provided the expected summary of retail grocery sales by outlet type, an update of food-away-from-home trends and some of the economic factors most pertinent to the grocery industry. This issue also covers new product introductions and the progress of health and beauty aids in grocery outlets. Our special chapter this year is a discussion and analysis of retort pouch products and the reaction by Canadian consumers to these items.

We also wish to thank *Chain Store Age* for their cooperation in assembling this report.

A. C. Nielsen, Jr.

A. C. Nielsen, Jr.
Chairman of the Board
A. C. Nielsen Company

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retail grocery sales



U.S. grocery sales climbed to just over 191 billion dollars for the 12 months ending June 1, 1980*—an 11% increase versus a year ago (Chart 1). There was virtually no change in the share held by chains (over one million) nationally from the previous two years (62% in 1978 and 61.9% in 1977), with independents over one million in second place at 19.9%.

When viewed by territory the share held by

*The year ending June 1, 1980 marked the first date on which we had accumulated 12 months of sales using the new classifications. Grocery chains are now split between those with an annual volume of a million dollars or over versus under a million. Independents are separated by the same two classifications.

the large chain stores varied from a low of 55.3% in the West Central to a high of 83.5% in Los Angeles. The chains under one million (primarily convenience-type

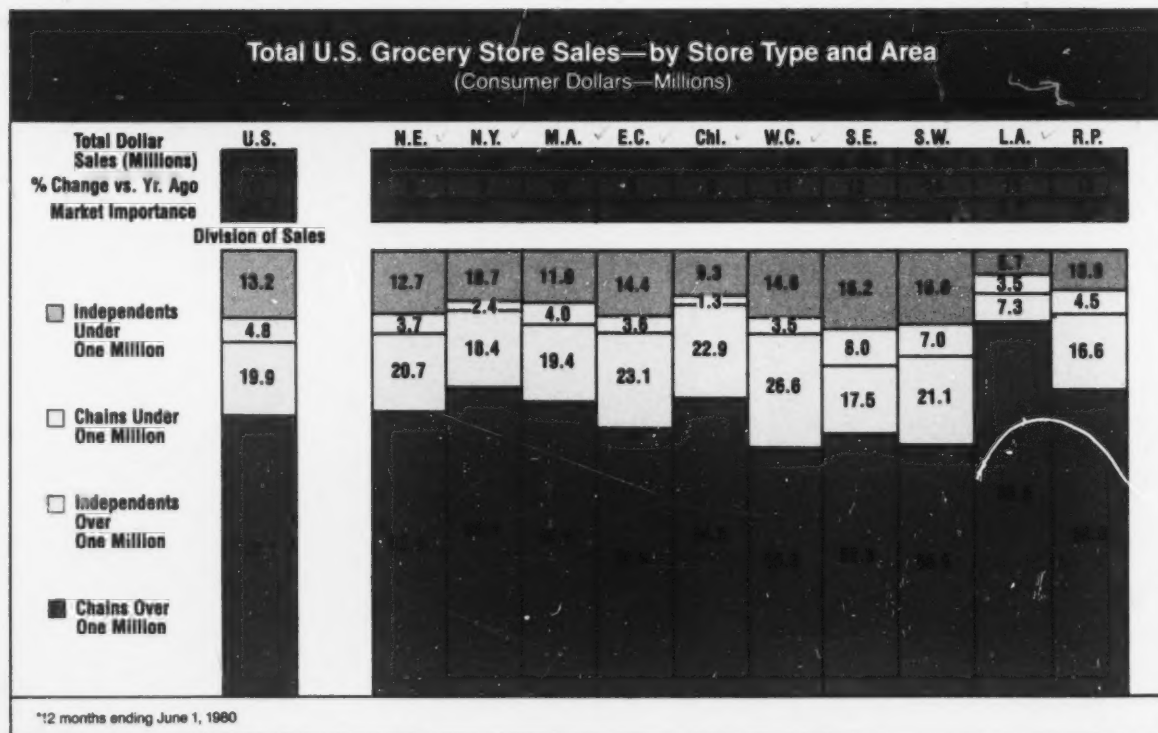


Chart 1

Sales Trends of 75 Packaged Grocery Commodities

(Total U.S.)

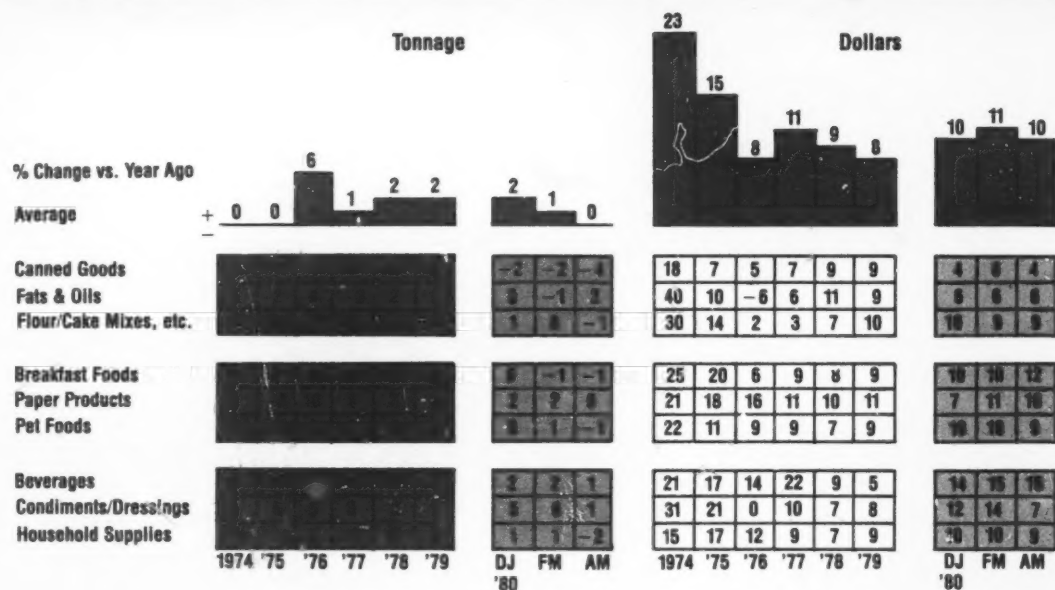


Chart 2

Composite Share* for Controlled Label Brands

(Based upon 35 Categories—Unit Basis)

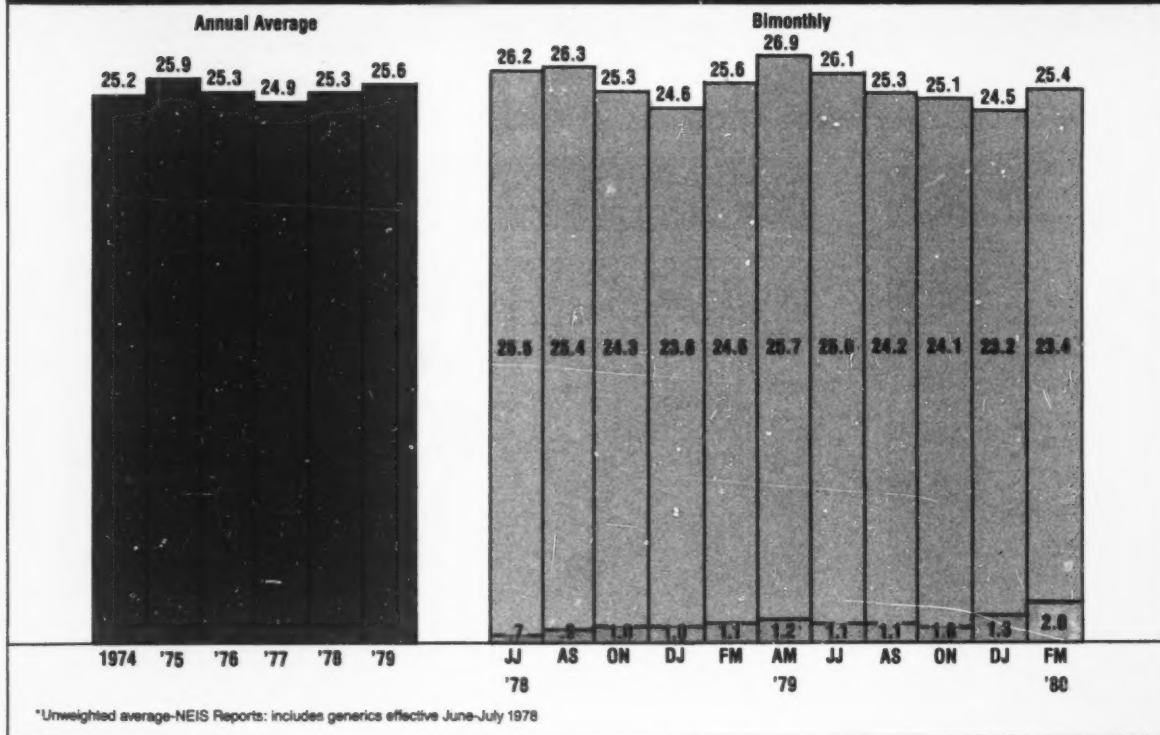


Chart 3

chains) were least important in Chicago but held shares almost twice as large as the national average in the Southeast, Southwest and Los Angeles.

Chart 2 offers a more reliable measure of the increase in actual product movement for packaged groceries by comparing dollar versus tonnage movement for 75 packaged grocery product groups. For yet another year, the increase in tonnage sales in 1979 (+2%) fell substantially below the dollar gain of +8%. In fact, it is necessary to look back to 1976 to find them reasonably close when only two points separated the gain in tonnage sales versus the gain in dollars (+6% for tonnage versus +8% for dollar sales). Very few of the nine general product classifications exhibited much in the way of strength during 1979, but paper products and beverages each registered tonnage gains of +3%.

Although the composite share for controlled label brands for 1979 was fractionally above 1978 (Chart 3), neither inflation nor recession appeared to have much effect on these averages. Since June-July of 1978, we have included generics under the general heading of controlled label brands. They are shown separately in the bimonthly section and had reached a new high of 2.0% during the February-March period.

Food Away From Home

Although the real growth trend for packaged groceries in 1979 (based on the 75 commodity groups) was only of modest proportions, it was substantially better than that for food away from home (Chart 4). The zero posted for 1978, the -2% for 1979 and the weak trend thus far in 1980 appear to be indicative of the consumer's desire to either reduce or at least conserve on food expenditures.

When viewed by segment or type, weakness in the refreshment (or fast food) type of restaurants has been evident ever since 1978, but there was a pick-up in sales registered in the early months of 1980 (Chart 5). The restaurant and cafeteria segment posted its first decline in 1979 of -1% and continued this weakness into 1980. This segment did pick up another share point in 1979, however, and now accounts for 57% of all food-away-from-home sales.

Food Away from Home Business Trends

(Total U.S.)

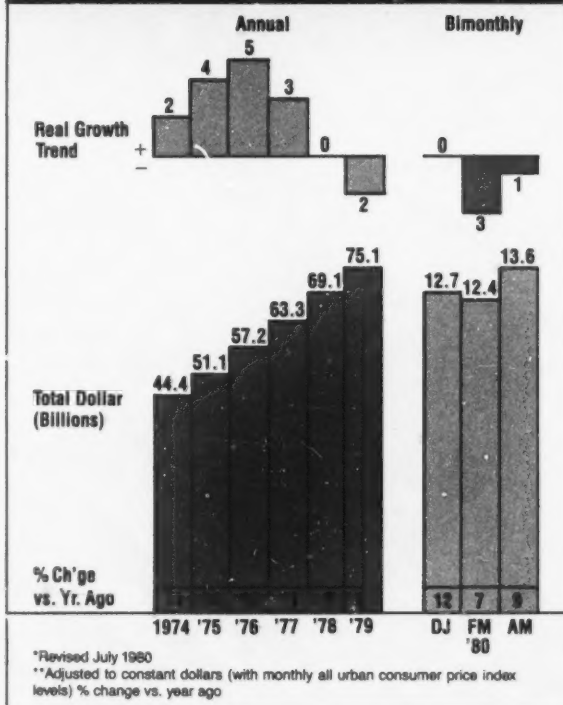


Chart 4

Food Away From Home Business Trends —by Segment

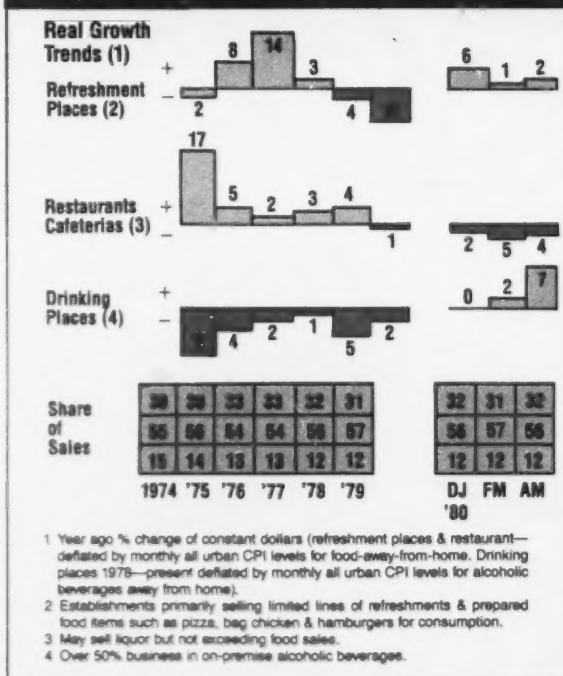
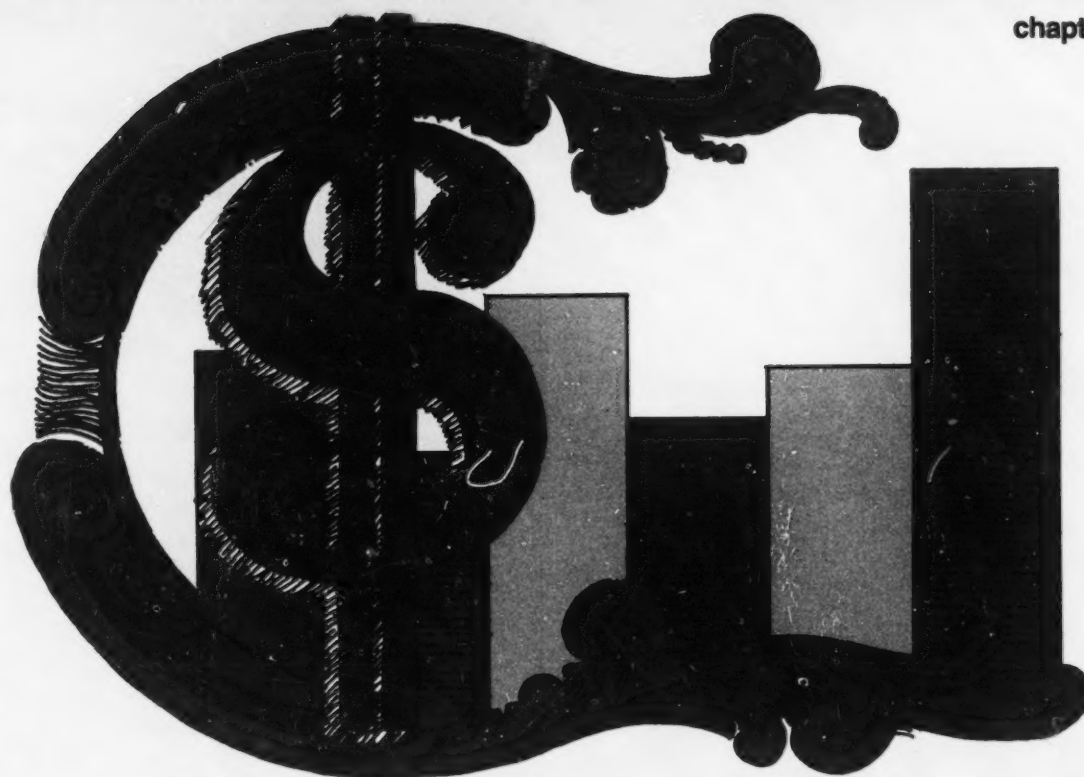


Chart 5



economic factors

The Consumer Price Index

In June of 1979, food away from home was the undisputed leader, which helped explain the weakness in that sector of food sales (Chart 6). By June 1980 it still led the list, along with housing at 267—two points higher than medical care. This represented a 41-point increase for the housing industry. Transportation also climbed significantly—up 37 points over the year. Apparel and upkeep along with prescriptions were still the best buys based on the C.P.I. Index.

Income Spent in Grocery Stores

Although there's no question that grocery has trended upward since June of 1979, the share of income spent by consumers for grocery products during the year was fractionally below the share spent in 1978 (Chart 7). When examined by area, the lowest share of income spent for groceries during the past year was in the two metro areas—New York and Chicago, 9.0% and 8.6% respectively. It was also in these two areas that per capita grocery sales were the lowest—just \$752 per person, \$80 less than the national average.

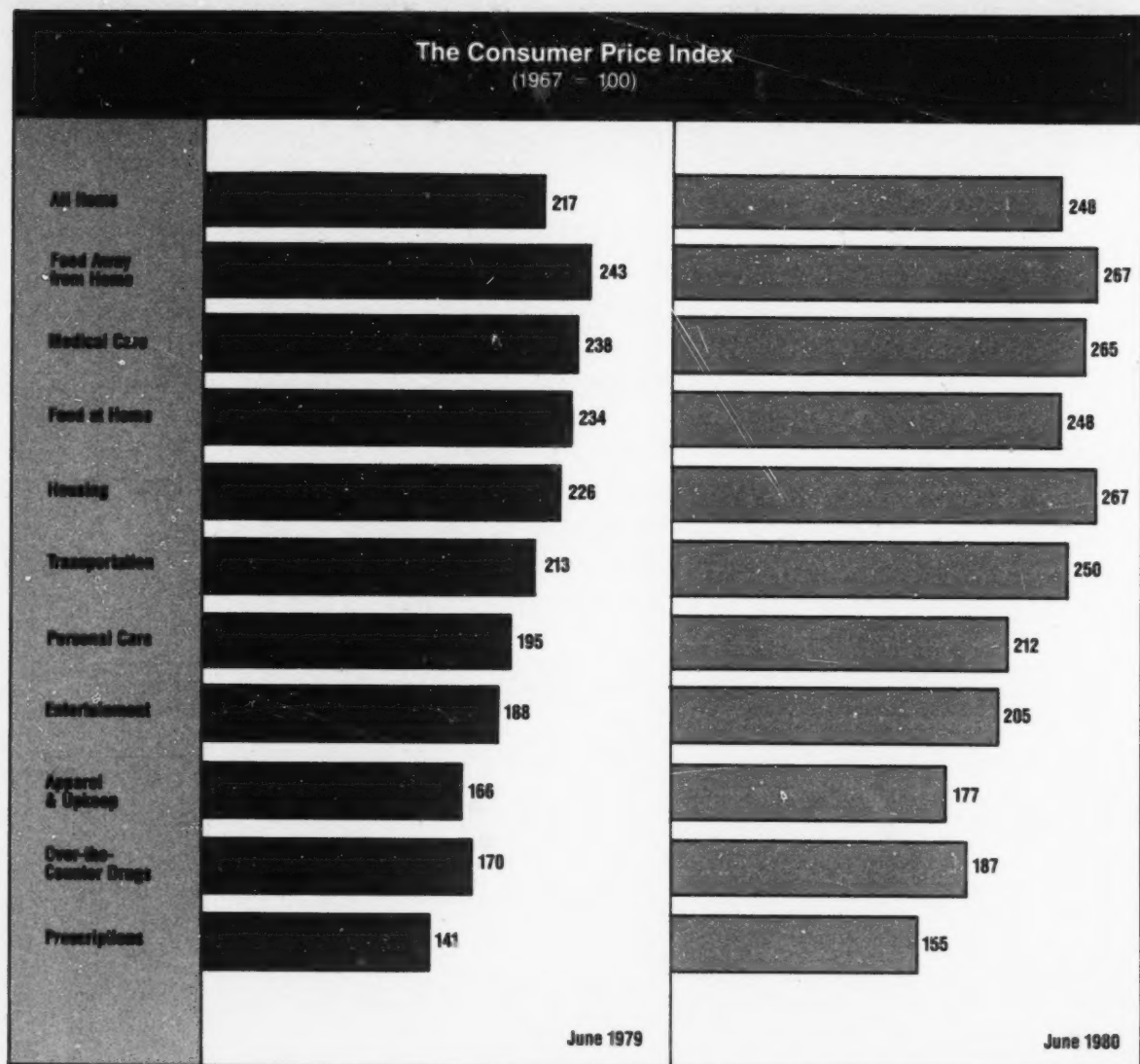


Chart 6

Per Capita Effective Buying Income and Retail Grocery Sales

	Per Capita Grocery Store Sales		Share of Income Spent in Grocery Stores	
	1979		1979	
U.S.	\$832		11.4%	
New England	823		11.1	
New York	762		9.0	
Middle Atlantic	846		11.4	
East Central	809		11.2	
Chicago	762		8.8	
West Central	782		10.8	
Southeast	851		13.5	
Southwest	876		12.7	
Los Angeles	889		10.4	
Remaining Pacific	900		11.9	

Chart 7

Birth Rate per 1,000 Women 15-44 Years of Age

(Total U.S. Including Alaska & Hawaii)

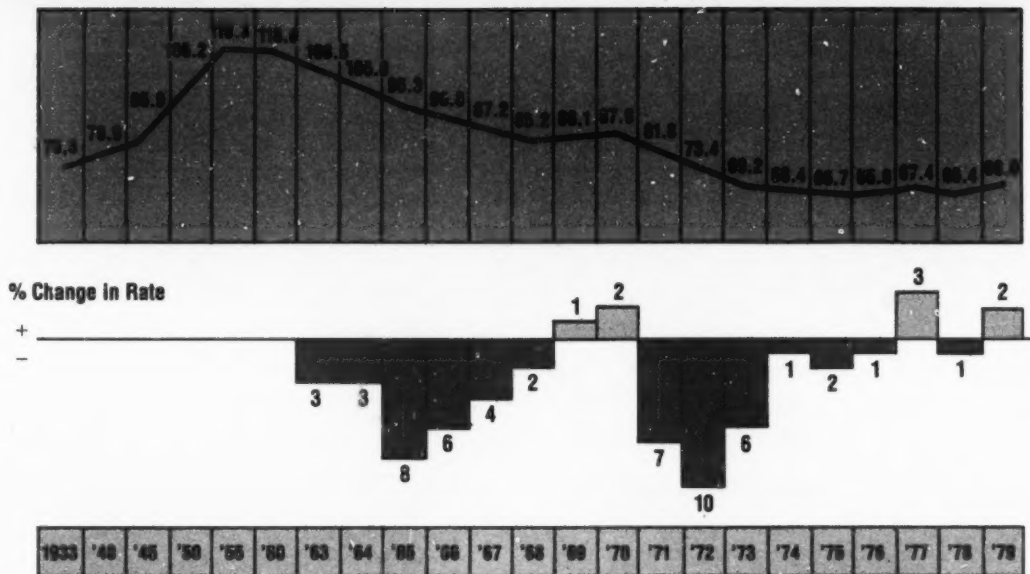
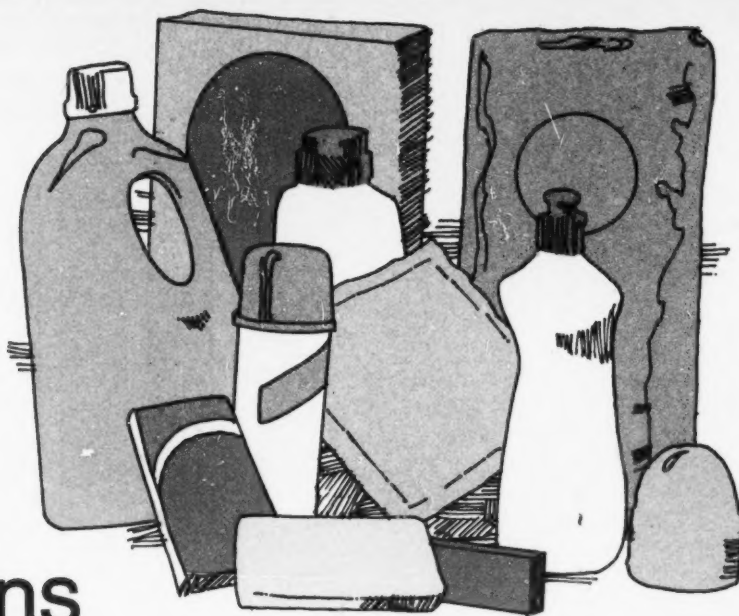


Chart 8

Birth Rate

Although it's far too early to state that there has been a reversal in the long-declining birth rate, there was a 3% increase in births in 1977 and a 2% gain in 1979 (Chart 8). Another straw in the wind was the +8% gain (versus a year ago) in the number of births in both February and March of 1979. In fact, the number of infants under one year of age recently reached the highest level since November of 1977—up 4% in February and 5% in March.

new item introductions



A New Trend?

We noted in last year's Review that if our estimate of new item introductions during the last six months of 1979 proved to be reasonably accurate, the three-year decline might be over. As it turned out, our estimate was low (by some 269 items), and total introductions topped 1978 by well over 200 items (Chart 9). If new introductions in 1980 approximate the current estimate, the total should approach the level of 1977 and add another step to the upward trend.

Classification of New Items

All classifications and trend data are based on NEIS Alert Reports, which monitor products newly confirmed in U.S. supermarkets, nationwide, on a continuous basis.

New Brands	The first time a brand name is used by its manufacturer. Example: Day 1 and Day 2 Shampoo—Colgate-Palmolive.
Established Brands in New Fields	Diversification by manufacturer with brand name carryover. Example: Vaseline Intensive Care Hand Lotion—Vaseline, an established brand in petroleum jelly, new to the hand care field.
Brand Extension Same Field	A brand name extension into a new segment of the same general category. Example: Puss'n Boots, an established brand in canned cat food, entering the moist cat food segment.
Brand Proliferation	Generally, line extensions. Example: A new flavor of cake mix, a new size of floor wax, a new spray type of liquid starch, a new color of paper towel.

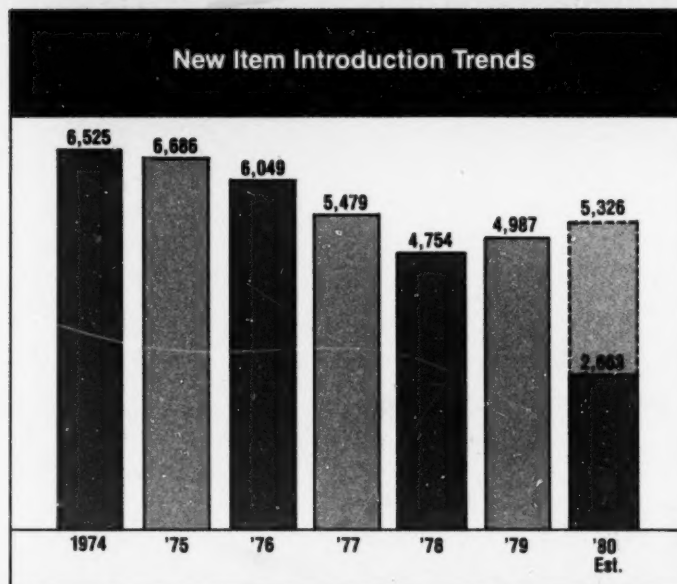


Chart 9

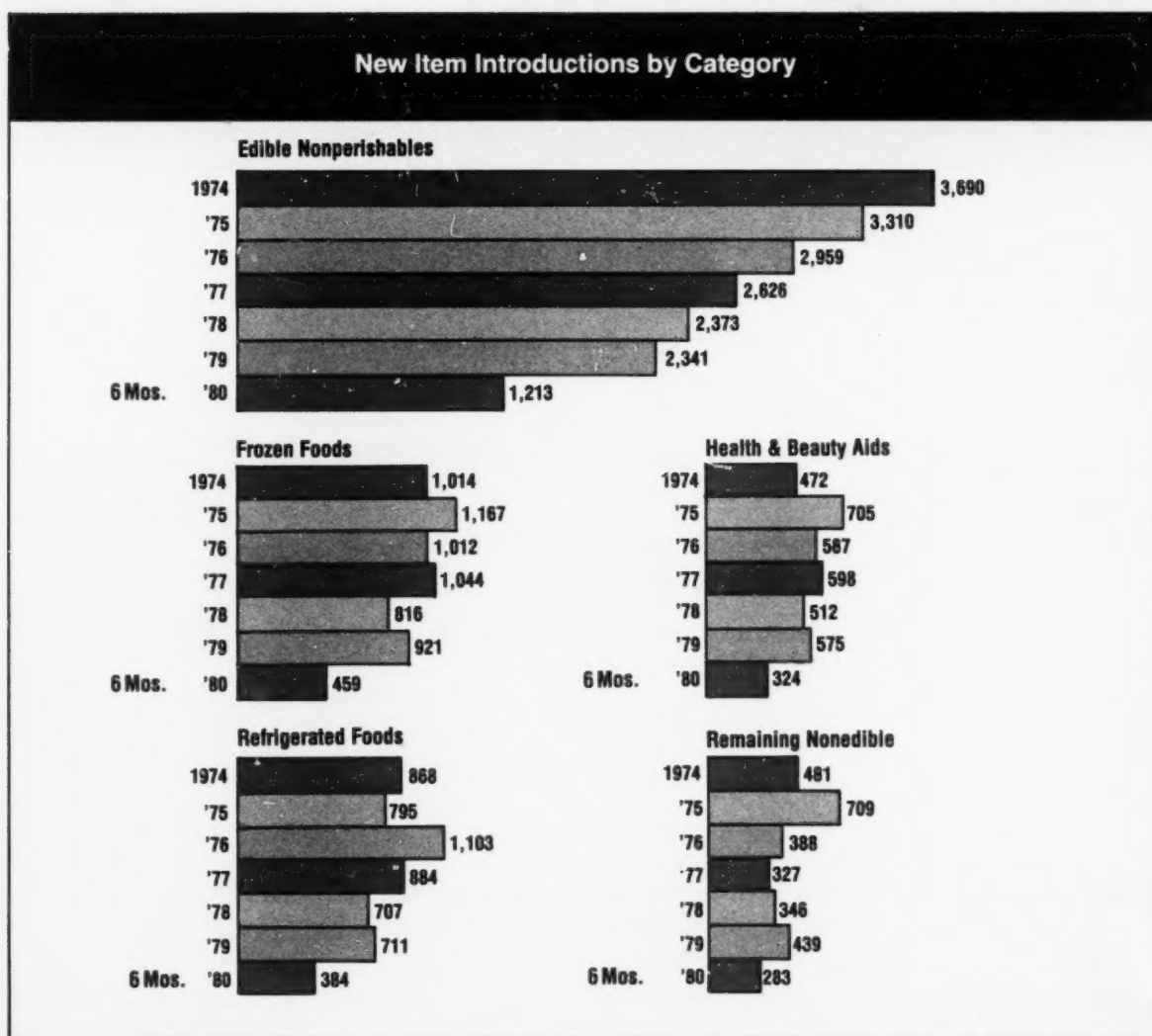


Chart 10

Total New Brand Introductions*

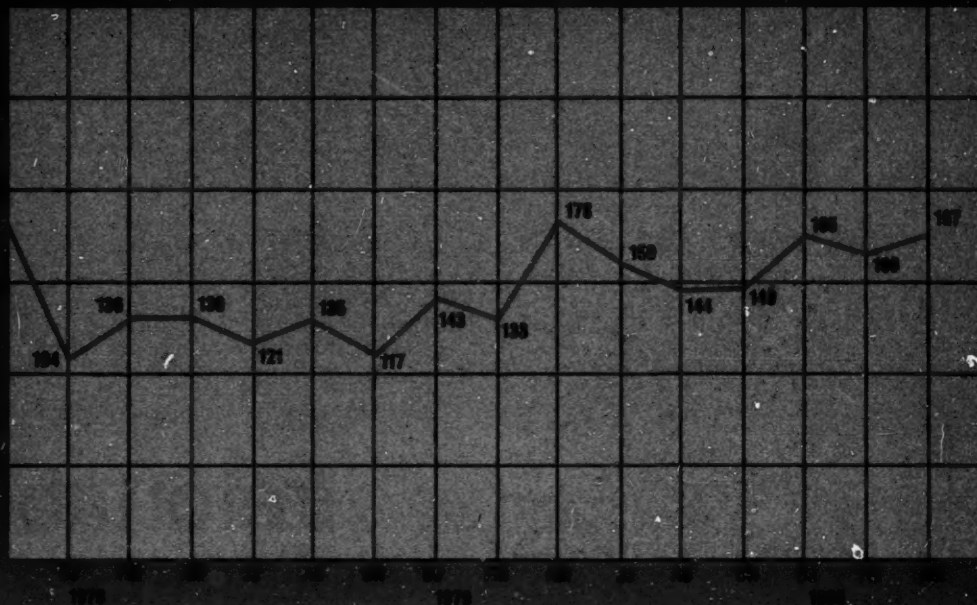


Chart 11

Chart 10 provides a breakdown of the new introductions by category. In spite of the modest increase in the total for 1979, introductions of the important edible nonperishable products last year continued to decline. Although the loss was of minor proportions, the total was some 1,300 fewer new items than for the recession year of 1974.

In contrast, introductions in all of the other categories increased. Frozen foods and the remaining nonedibles posted the largest gain in actual numbers, with refrigerated food up by only a few items.



retortable pouches . . . a product in search of a home

For packaged food products that have been under development since 1959, that promise the taste and freshness of frozen foods as well as the handling convenience of canned foods (no refrigeration necessary) it's somewhat difficult to understand why they have not yet had a chance to sink or swim in U.S. supermarkets. What's more, some 70 million retortable pouch products were sold in Europe as early as 1974 and about 500 million in Japan. In fact, it is estimated that by the end of 1980, some 1.5 billion units will have been sold in Europe and over 5 billion in Japan.

Why, then, have but a handful of American consumers been denied the opportunity to buy this "package of virtues"? This question is especially pertinent since the U.S. Army Natick Development Center started working

with the retort pouch in 1959, coordinating with the U.S.D.A. and the F.D.A. on materials development for the pouch.

Further, Col. A. L. Dungan, coordinator for the U.S. Army's Food Nutrition Research Programs, already has stated that this is the "last year for the three-piece can." Three suppliers are dividing an order for 24 million meals in retortable pouches—or about 40 million pouches. Another Army order for 24 million pouches will be up for bids this spring for delivery in 1981.

The advantages of this type of packaging (versus either canned or frozen) include reduced energy requirements, lighter weight, less dependence on imported tin, longer shelf life and more palatable meals, all of which are simply too important to ignore.

A First . . . And Now a Second

Perhaps the best answer to the question as to why retortable pouches have yet to appear in the U.S. in any significant volume was voiced by an executive of a large food processing firm back in 1975.

He commented that his company was doing the same thing everyone else was doing—"investigating the pouch with *extreme caution*. It takes guts and money to be first, and no one seems to have enough of either."

Although full approval by the F.D.A. of retortable pouches* in May of 1977, quickly followed by the U.S.D.A. early in the following month, eliminated all legal objections, there has been a noticeable lack of enthusiasm by a great majority of the large food manufacturers to add retortable pouch products to their new product offerings. ITT Continental Baking Company, however, made the first major effort in 1977 with their Continental Kitchens Flavor Seal entrees with a seven-item line in three test markets.

After a few months, however, they were withdrawn because of an inability to obtain adequate production volume. The line was reintroduced last year and is now being marketed in Atlanta, Georgia, Columbus, Ohio and the Miami/Palm Beach area.

The second marketer now committed to marketing food in retortable pouches is the giant Kraft Company. They are scheduled to begin testing five entrees in May under the A La Carte label in 8-ounce single-serving packages in several test cities.

*The pouches granted approval are made of a three-layer laminate. The outer layer of polyester provides strength, a middle aluminum-foil layer shields the contents against light and air, and also adds strength, and an inner layer of either polyolefin or polypropylene.

Why the Continuing Interest?

In spite of the overwhelming reluctance by the great majority of food processors to make the large-scale investments necessary to produce and market retort pouch products, it is easy to understand their inability to lose interest in the potential of these items. Retort pouches offer a basketful of benefits to manufacturers, consumers and retailers, which is increasing every day as the energy costs reach for new highs. They include:

- Because the pouch has a thinner profile than a can and the foods require less liquid,

there is a more efficient heat transfer. This results in an energy savings of from one-third to one-half during processing compared to canned products.

- Because of the shorter cooking time required, the quality of the product is better—fresher in flavor, truer in color and firmer in texture.
- The pouched product does not require refrigeration or freezing and is shelf stable at least as long as canned foods. This results in additional savings in energy during transportation and during storage by the manufacturer, retailer and consumer.
- The pouched product can be heated to serving temperature by heating the pouch about five minutes in boiling water. This compares to about half an hour for a comparable frozen product.
- Retort pouches require less storage space than cans, and the flat carton in which they are packaged provides a wider "billboard" for product identification.

In the face of this impressive list of benefits, the retort pouch has several known disadvantages. This is in addition to the natural reluctance of all manufacturers to invest the large sums necessary to sail forth into uncharted waters. Further, many of the companies most likely to enter the retortable pouch field already have large investments in products and production facilities (for canned or frozen products or both) which would most likely deteriorate in value, especially if retortable pouches proved to be highly successful.

The disadvantages perceived currently include:

- The limitations relative to size. If the pouch size is increased, the profile gets thicker, the sterilization time longer, the energy savings smaller, and quality advantages over canned foods might well disappear or become marginal at best.
- The integrity of the pouch seal has yet to be proven conclusively in the large-scale production runs necessary for commercial success and the overall durability of the pouch to withstand the hazards of repeated handling in the long channels of distribution in the United States is still unknown.
- Up to the present, truly high-speed filling equipment has not been available to produce retort pouches anywhere close to the

conventional packaging speeds attained in the filling of cans or glass jars. Cans are now being filled at the rate of 200 to 400 per minute, glass jars up to 1,200 per minute, and the best speeds achieved by pouches have been around 60 per minute.

● The question of consumer acceptance of retort pouches products presents an educational problem of unknown dimensions. It may be small, medium, or very large. If large, the costs will be of the same dimension and will have a decided impact on either the return on investment to the producer, the price to the consumer or most likely, both. If the impact on the retail price is substantial, it naturally will compound the educational problem.

It is reasonable to expect that the first three disadvantages can be overcome with time and experience. Solving the last one on the list may be far more difficult. It will probably hinge on the number of manufacturers who enter the field and their willingness to invest in the future of retort pouches. The greater the number, the easier it will be to solve.

The Canadian Connection

Although a U.S. manufacturer would seldom think of test-marketing a new product type in a Canadian test market to assess its possibilities for future success in the United States, we believe the results of a market test of an eight-product line of retortable pouches conducted in a metro area just across the border may provide some valuable, if not conclusive, insights into the future marketing of these items in the U.S. In addition, a consumer study was conducted in conjunction with the market test which provides a detailed assessment of these items from a consumer's viewpoint—consumers whose relative lifestyle and income are not very different from many U.S. citizens living just across the border.

Since the test market was conducted by Nielsen's Canadian Company as a service to the grocery industry, the study was made available to us for this report on retort pouches.

Background

Swan Valley, a medium-sized, regional food processing company, with the help of an outside backer, spent five years developing entree-type foods packaged in retortable pouches. Once approval was gained for the

pouches, a decision was made to market these items in Metropolitan Vancouver and Victoria as well as throughout the remainder of British Columbia.

British Columbia has a population of just under 2.5 million people with about 1.4 million living in the two metropolitan areas. A key characteristic of this province has been its rapid development along with a population growth averaging twice the national average (+ 14% versus + 7% over the past five years). Family size in this province is slightly smaller than in the rest of Canada (3.4 versus 3.6) with a greater incidence of two-member families than anywhere else in the country. Total retail sales during the test period were 13% above the national average on a per capita basis, and disposable income was 7% higher than average.

The line of retortable pouches consisted of the following types:

- Meatballs and Gravy
- Meatballs and Tomato Sauce
- Chicken A La King
- Chicken Stew
- Beef Stew
- Noodles and Beef
- Ravioli
- Spaghetti and Meat

Performance

The complete line of retortable pouches was introduced in January of the test year. The products were well received by the retail trade, and by July (the beginning audit period) four types had achieved over 80% all commodity distribution and three over 70%. Chicken stew was the only type that failed to attain adequate exposure (Chart 12).

Substantial promotional support was provided during the first six months with major media, cooperative advertising and featured pricing by retailers all playing a part in attracting consumers.

Although not noticeable at first in terms of distribution, the first sign of the decline and eventual fall of the retortable pouches came in the form of unusually high out-of-stock situations for both the meatball products and the noodles and beef during the August-September period. This affliction spread to four additional types the following period and coincided with the withdrawal of virtually every form of significant promo-

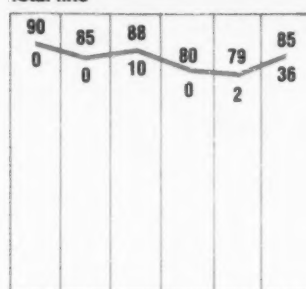
tional support for the retortable pouches. This abrupt discontinuance of support during an introductory period would probably be a mortal blow to virtually any new brand, and was especially devastating to a new line of products in a package form totally new and unfamiliar to consumers. In addition, retort pouches were being offered at premium prices. For example, beef stews in retort pouches were in the 75 and 79 cents range versus 59 to 69 cents for the canned products. Ravioli was priced between 83 to 89 cents compared to 78 to 84 cents for the conventionally packed, and chicken stew was 99¢ to \$1.09 versus 69 to 79 cents.

Chart 13 provides a graphic example of the decline in sales over the 14-month period.

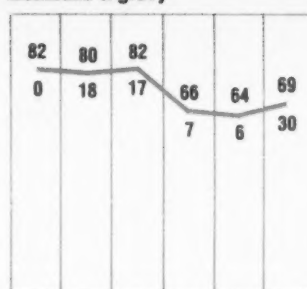
Peak sales were achieved during the June-July period, prior to abandonment of marketing support. From that point forward, the retort pouches entered a long-term slide. Because out-of-stock became such a problem almost as soon as the market test began, it was difficult to assess the product types that possessed the greatest consumer appeal, with one exception. The exception was chicken stew, which never achieved a share of sales higher than 3.2% (Chart 14). Even here, however, the assessment is somewhat cloudy, since retail distribution of this item faltered from the very start and never came close to matching the other types: a high of 21% compared to distribution levels of over 70% and 80% for the other items.

Swan Valley Retort Pouches by Type—All Commodity Division
(Metro Areas Only)

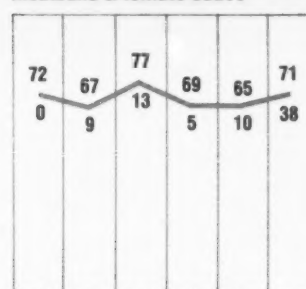
**All Comm. Dist. Out-of-Stock
Total line**



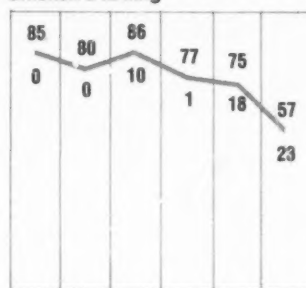
Meatballs & gravy



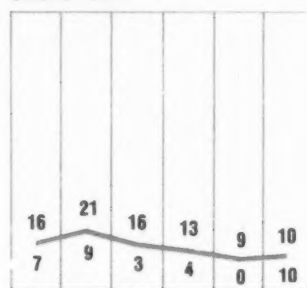
Meatballs & tomato sauce



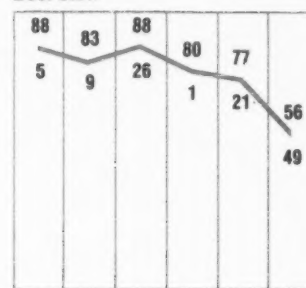
Chicken a la king



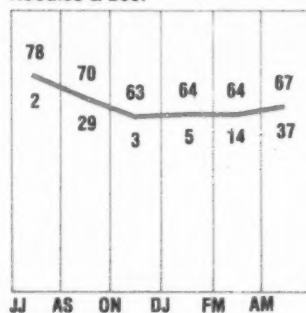
Chicken stew



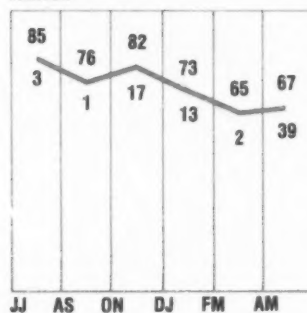
Beef stew



Noodles & beef



Ravioli



Spaghetti & meat

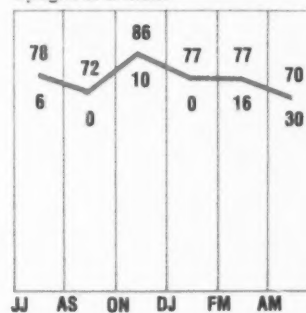


Chart 12

Based on the available evidence, it appears that beef stew, chicken a la king and ravioli were the most popular types with consumers. Consumer sales of the retort pouches were best in the two metro areas, but usage was reported in just 10% of the households in November.

The Consumer's View

A second wave of 424 telephone interviews was conducted during the April-May period in the metropolitan areas revealing the usage of retortable pouch products in 12% of the households, up only two percentage points from the previous November. The smallness of this increase was again probably due to out-of-stock and the withdrawal of advertising and promotional support noted before.

In terms of frequency of use, there was very

little overall change reported between the November and May study, but there was a modest increase in the "Occasionally Used" category.

	Regularly Used	Occasionally Used	Used Only Once
November	10%	38%	52%
May	9%	45%	46%

The small user base made analysis difficult, but frequency of usage appeared greatest for the pasta products, followed by stews. Flavors such as chicken a la king, meatballs, and noodles and beef all had a high incidence of "Used Only Once."

The inherent attractiveness of the retort products was evident among users based on a strong increase in "intention to pur-

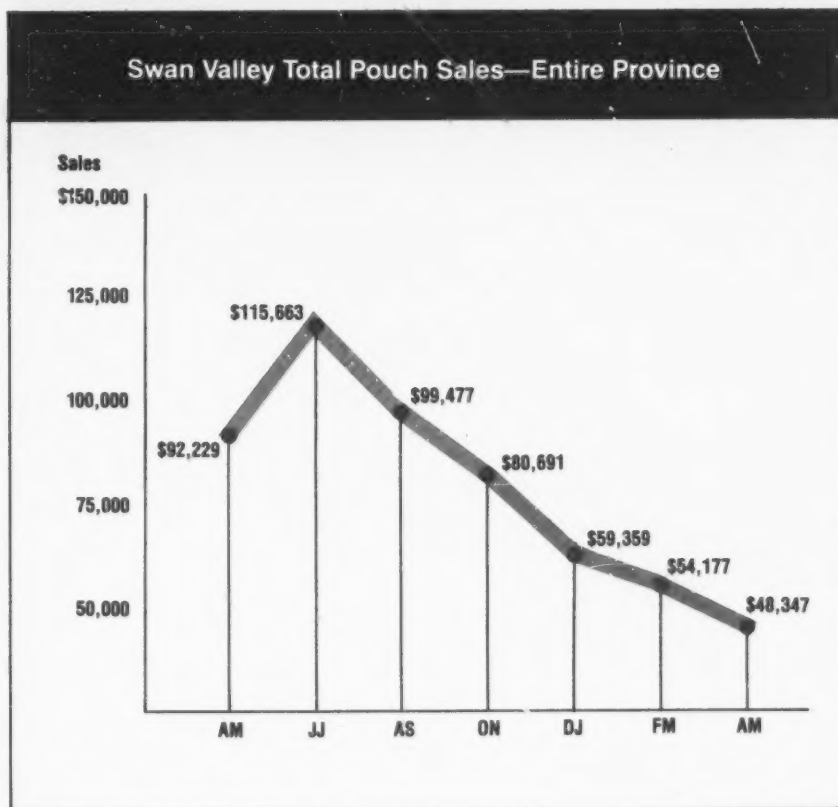


Chart 13

chase" questions but was virtually unchanged among non-users between November and May.

	Retort Pouch Users		Non-Users (but aware)	
	November	May	November	May
Very or somewhat likely to purchase	45%	69%	20%	23%
Somewhat or very unlikely to purchase	33%	21%	58%	54%
Can't say	22%	10%	22%	23%

Verbatim comments were requested from all retortable pouch users relative to the advantages, disadvantages and product quality. In each case, the following question was asked first: "Are you aware of anything different about the packaging of retort pouch products?" If the answer was "yes," we first asked, "What do you see as the advantages of the retort pouch packaging?"

The answers relative to "advantages" are ranked in order of the number of comments pertinent to that subject.

What Are the Advantages?

1. Easy to prepare and quick.
2. No need to keep frozen.
3. Packages are easy to stack, don't take

Swan Valley Retort Pouches by Type—Division of Sales Share
(Metro Areas—Dollars)

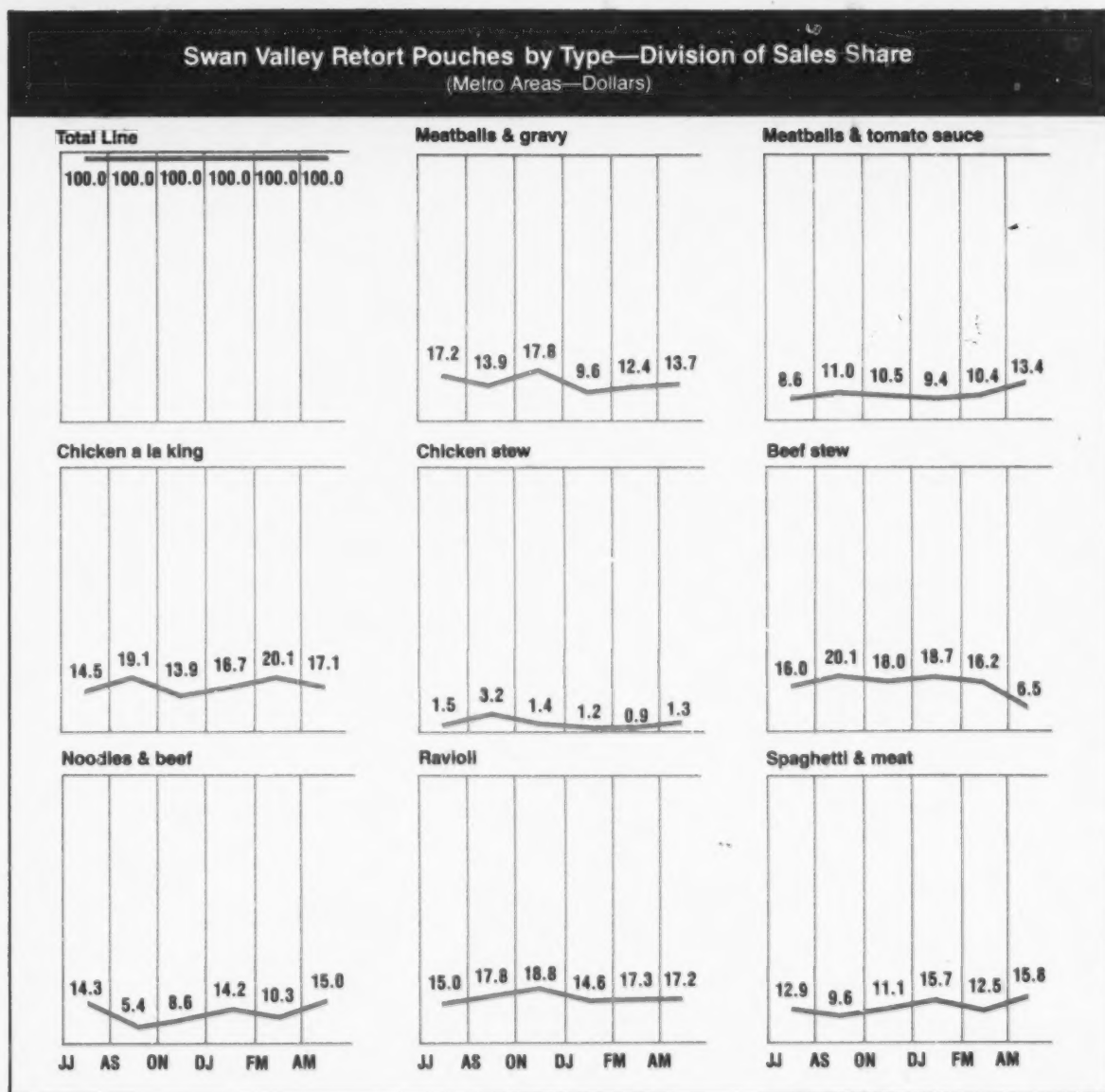


Chart 14

- up much cupboard space, seems a lot fresher, like it better.
4. Doesn't have messy cans.
 5. You can heat it in the package.
 6. Bought for camping trip, doesn't take up much space.

What Are the Disadvantages?

1. Expensive.
2. Unnecessary expense in packaging—too elaborate; gravy sticks to pouch.
3. Getting it out of the hot water, have to be careful getting it out of the bag.
4. Some are not too tasty.

Again, after we had asked the question relative to noticing the difference in packaging, we asked each respondent, "Could you give me any opinion about the actual quality of the product?"

This question brought forth a long list of free-wheeling comments ranging from "Good, flavorful, just like homemade" to "I wouldn't eat it myself." The majority of the comments were overwhelmingly favorable, however, with the statement "it tastes like homemade" occurring a good many times.*

Take Your Choice

There is little question that there are significant factors on both the pro and con side of retort pouches. Depending on the weight given each factor, a prediction of the future might be considered a matter of choice.

In fact, a recent article in a trade publication indicated that future usage of these items depended to a great extent on food processors achieving: the anticipated product quality; productivity to back up cost estimates; and the package integrity necessary for large volume production.

All three are important and all three are primarily technical in nature. It would appear, however, that the testing done so far has gone a long way towards proving that the quality of the product is equal to and often superior to competition. The technical reasons for this high quality—the reduced amount of the heat required for sterilization, etc.—seem to be totally factual. The latter two factors, although seemingly responsive to improving production techniques as more time and money are applied, have yet to be resolved.

The Marketing Problem

The most important factor relative to marketing success was not even mentioned—the one involving consumer education. Although many people *within* the food processing industry have been aware of retort pouches for the past ten years or so, it's probably safe to say that 99% of the American consumers have neither heard about, seen, or tasted foods prepared and packaged in this fashion. Thus, the critical problem to marketers is how best to introduce this new concept, rather than just how to position in the vast array of processed foods in today's supermarkets. The problem is far greater than introducing a new brand where the key factors are awareness, recognition and availability. There are significant changes in consumer perception and behavior which must be considered when introducing consumers to this totally new concept and familiarizing them with the advantages of retortable pouch packages.

For example, everyone familiar with retort pouches knows that one of the important consumer advantages is that refrigeration is unnecessary and they can be stored on cupboard shelves. Yet, in the second consumer study in British Columbia after the Swan Valley products had been on the market for a year, one respondent noted for an advantage "that they didn't take up much room in the refrigerator"; and another said "that because of the flat package, they stacked very nicely on refrigerated shelves."

*A complete list of these comments is available and may be had by writing "Industry Relations," A. C. Nielsen Company, Nielsen Plaza, Northbrook, Illinois, 60062.

Keep in mind that both of these comments came from *users* of the Swan Valley products. Think of how many *nonusers* were unaware of this unique advantage.

Retort Pouches in the U.S.*

But what of the U.S. market test so far? The Continental Kitchens line is completing its first year in the supermarkets of Atlanta and Columbus (the Miami area launch followed later), and some general observations are possible. It should be recognized, however, that these findings should be considered indicative at best, rather than conclusive, because it is presumed that the test is far from complete at this stage.

Our information to date suggests:

- Although satisfactory overall line distribution (85%-95%) was achieved initially in each city, only about 20% of those stores now stocking carry all seven flavors.
- Flavor popularity within the line seems related to retail price. The highest-priced item appears to be the slowest mover in those stores handling, and this flavor is stocked by the fewest number of stores. Conversely, two of the three lowest-priced items appear to sell best and, as a result, have retained a high percentage of their initial distribution.
- Total line pricing differences between cities does not seem to be influential on the overall sales trends to date.
- Where the product is sold in the store (i.e., stocked with the dry products or the canned products generally, or scattered throughout the store adjacent to those specific canned, dry, or frozen competitors by flavor) may eventually have an impact on sales, but experiments to date do not seem to indicate a clear preference for one location over the other.

*All data on retort pouches in the U.S. are based on Nielsen studies conducted exclusively for this article.

U.S. Potential

Although it's impossible to forecast the future potential for retortable pouch products in the U.S., useful estimates can be made of the sales potential of these items in existing product areas in which they might well achieve a reasonable or significant share. The estimated potentials are based on retort pouches achieving a 10%, 20% or 50% share in three existing product categories:

Retort Pouches	Potential Based on Annual Product Class Sales		
	(If retort pouches achieve a share of:)		
	(000's)		
	10%	20%	50%
Beef Stew	\$ 8,834	\$17,668	\$44,270
Ravioli	\$12,158	\$24,316	\$60,790
Chili	\$19,670	\$39,340	\$98,350

The estimates are based on current annual sales of both the canned and frozen products combined in each product group.

In Summary

Presuming that all the claims for retort pouches "come true," i.e., recognizable superior quality, quick and convenient home preparation, no need to store in refrigerator or freezer, etc., consumers have yet to be informed, educated and ultimately convinced of all these advantages. To do so will require the very best in marketing and advertising programs plus the patience and commitment necessary to invest substantial amounts of money on a long-term basis.

Since manufacturers thus far have been hampered by the lack of high-speed filling equipment (nothing currently available that even approaches that for cans), there is little doubt that retort pouch products when first introduced, and for sometime thereafter, will carry a premium price. Whether these new premium *priced* products should also be premium type products—such as Beef Bourguignon, steak, veal, Beef Stroganoff, etc.—and bear even a higher price, presents an important question. Or, should marketers, at least at first, concentrate on marketing such items as chicken a la king, beef stew, chicken and noodles, etc., which can retail at a lower price—albeit still higher than comparable items in cans or of the packaged dinner type?

To answer a critical question such as this, as well as the many others that spring up whenever a new product is brought to market, will to a large extent be dependent on the reliability of the market test and the quality of the analysis provided. The frag-

mentary evidence available thus far indicates that it's perhaps easier to persuade consumers to try the lower-priced items. Perhaps this may be the correct path to follow. It may or may not be—only future testing will provide the true answer.



space allocations for dry groceries

Charts 15 and 16 provide a review of the average space allocations in chain supermarkets for 23 major grocery product classes for the past three years. All product classes except crackers (no change) posted increases in footage allocations—most of them in the range of from two to four feet compared to 1978. It should be noted, however, that there was a change in annual dollar volume requirements between 1978 and 1979 for chain supermarkets. Prior to 1979, it was \$500,000 or more. Starting in 1979, it was raised to one million or more. Since virtually all the chain supermarkets included in the sample prior to 1979 already had volumes exceeding one million dollars, the sample change was minuscule. Even so, a very minor portion of the average increase may be due to the sample change.



Cigarettes

The percentage of stores offering cigarettes by the carton on a self-service basis reached an average of 68% in 1979, a three-point increase (Chart 17). This method of merchandising still showed wide variations by territory with the three northeastern regions still under 40%. In contrast, over 90% of the chain supermarkets in the West Central and Remaining Pacific offered cigarettes in this fashion.

Chart 18 provides the average linear feet of space allocated to cartons of cigarettes by chain volume size. Of the six classifications over one million dollars, only the three to four million dollar classification reduced the linear footage for cigarettes. With the exception of the five to six million classifications, all the rest increased the average footage devoted to cigarettes.

Average Linear Shelf Space Per Store—Selected Product Groups I

(Chains Over \$1 Million Annual Volume*)

	1977	'78	'79
Detergents Dry	59	60	64
Detergents Liquid	51	52	55
Cleansing Tissue	26	26	28
Toilet Tissue	41	42	46
Paper Towels	39	40	42
Plastic Bags	40	40	42
R-T-E Cereal	96	99	100
Cereal	15	10	11
Natural-Health			
Coffee Regular	43	42	45
Coffee Soluble	27	29	30
Chewing Gum	49	46	43

*Chains for 1977 & '78 were over \$500M annual volume

Chart 15

Average Linear Shelf Space Per Store—Selected Product Groups II

(Chains Over \$1 Million Average Volume*)

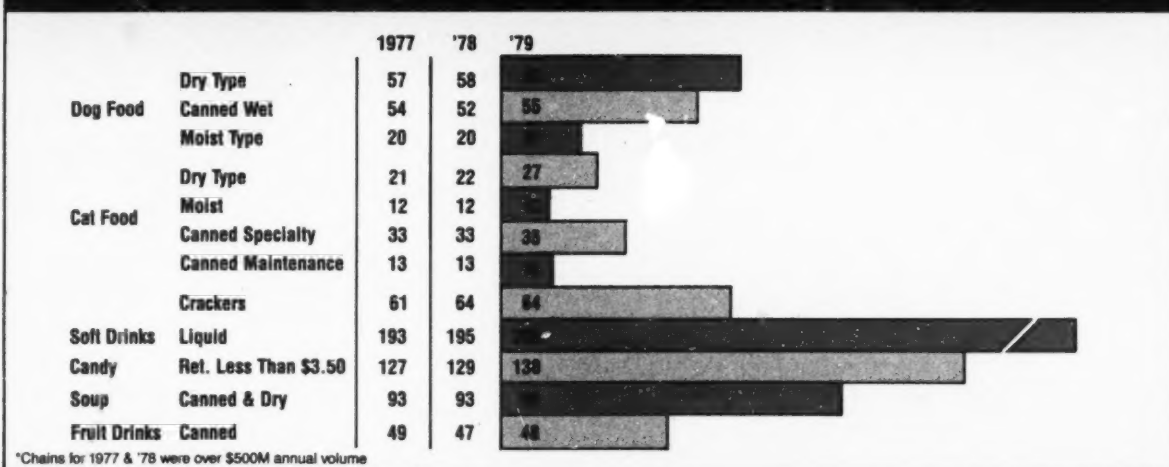


Chart 16

Self-Service Cigarettes by Territory

(Chains Over \$1 Million Annual Volume*)

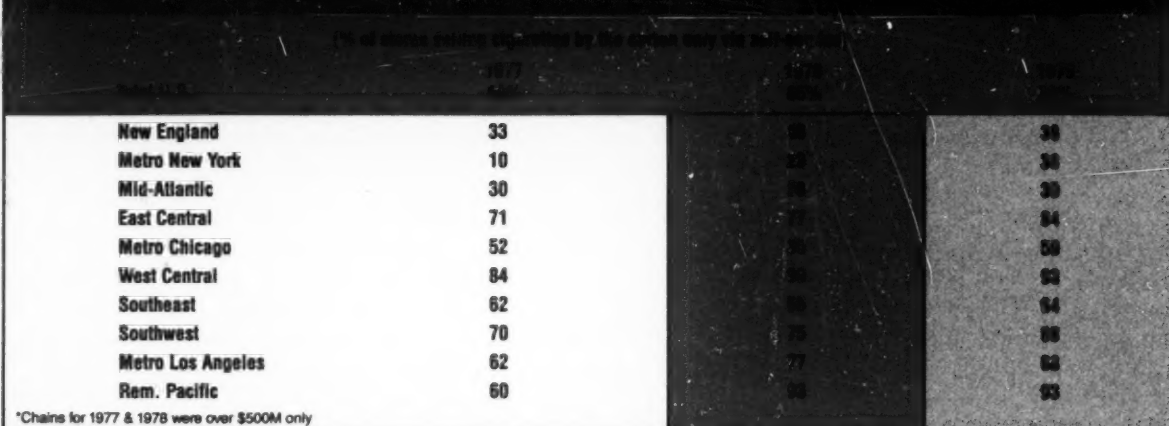


Chart 17

Average Linear Feet Devoted to Cigarettes*

(All Chains by Volume)

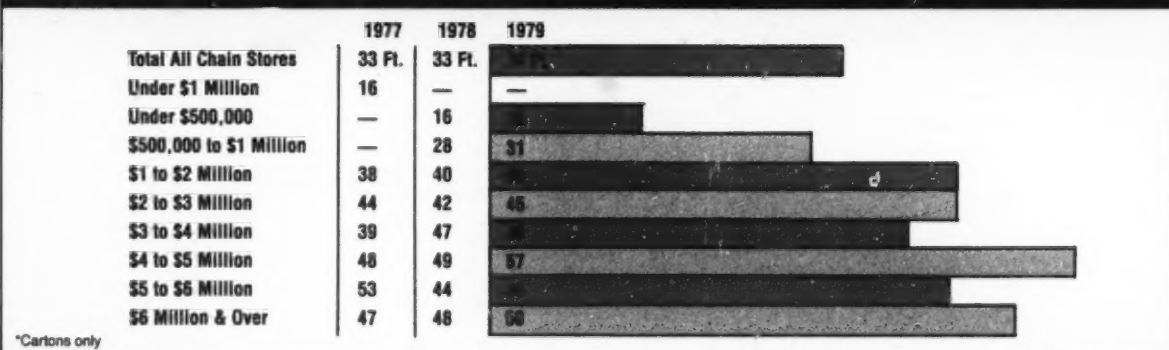


Chart 18



frozen and refrigerated foods

Space Allocations

Space allocated frozen foods by large chains* moved up again in 1979 to an average of 332 linear feet per store (Chart 19). Over 300 feet of space was allocated to

frozen food in all but three areas—East Central, Southeast and Southwest.

Frozen vegetables, other than potatoes, continued to receive the largest average space allocation, with Chicago chains averaging 103 feet. Entree items were in second place and fish in third place (Chart 20).

*See comments on change in classifications in Chapter 1.

**Average Linear Feet of Shelf Space
Devoted to Frozen Foods**

(Chains Over \$1 Million Annual Volume*)

	1975	'76	'77	'78	'79
U.S.		274		309	
New Eng.		308		318	
New York		278		310	
Mid. Atl.		317		353	
East Cent.		255		281	
Metro. Chi.		281		397	
West Cent.		300		352	
Southeast		235		299	
Southwest		222		236	
Los Ang.		361		408	
Rem. Pac.		279		328	

*Chains 1975 through '78 were based on stores with annual volume of \$500M and over

Chart 19

Average Linear Feet of Shelf Space Devoted to Frozen Foods by Type—1979

(Chains Over \$1 Million Annual Volume)

		Clear Veg.	Orange Juice	Fruit Flavors	Fruit Dessert Pies	Other Dessert Pies	Meat Pies	Bread	3-Course Dinners	Regular Dinners	Pantries	Pizza
U.S.	57	57 Ft.	11 Ft.	10 Ft.	9 Ft.	7 Ft.	9 Ft.	4 Ft.	11	27	14	21
N.E.	55	55	9	8	6	6	8	3	11	21	14	20
N.Y.	53	78	9	10	7	5	8	3	10	19	21	15
M.A.	54	64	12	10	10	7	10	5	12	28	20	28
E.C.	73	82	10	9	7	5	8	5	10	23	12	16
Chi.	53	103	13	10	10	6	9	5	17	44	19	41
W.C.	50	55	14	12	12	7	10	7	10	32	15	29
S.E.	49	40	9	9	16	8	8	3	8	20	11	19
S.W.	50	55	9	9	8	7	8	3	10	27	11	19
L.A.	51	78	13	10	11	8	11	4	17	40	10	25
R. Pac.	50	50	12	10	10	6	10	5	13	35	14	18

Chart 20

Average Linear Feet of Shelf Space Devoted to Refrigerated Foods

(Chains Over \$1 Million Annual Volume*)

	77	79
U.S.	229 Ft.	280 Ft.
New Eng.	226	230
New York	232	284
Mid. Atl.	236	279
East Cent.	223	281
Metro Chi.	241	282
West Cent.	219	250
Southeast	214	241
Southwest	223	274
Los Ang.	290	381
Rem. Pac.	248	281

*Chains 1976 through 1978 were stores with over \$500M annual volume

Chart 21

Refrigerated Foods

Chart 21 provides the average linear feet devoted to refrigerated items by large chain supermarkets. As in the past, Los Angeles chains provided the greatest space allocations (351 feet in 1979) followed by stores in the Remaining Pacific and Chicago.

An average of 85 linear feet was awarded to cheese nationally, and in five areas the average was over 90 feet. No other product class was given even half that exposure, with milk products a distant second with an average of 41 feet (Chart 22).

Because of its importance, a profile of

Average Linear Feet of Shelf Space Devoted to Refrigerated Foods by Type—1979 (Chains Over \$1 Million Annual Volume)



Chart 22

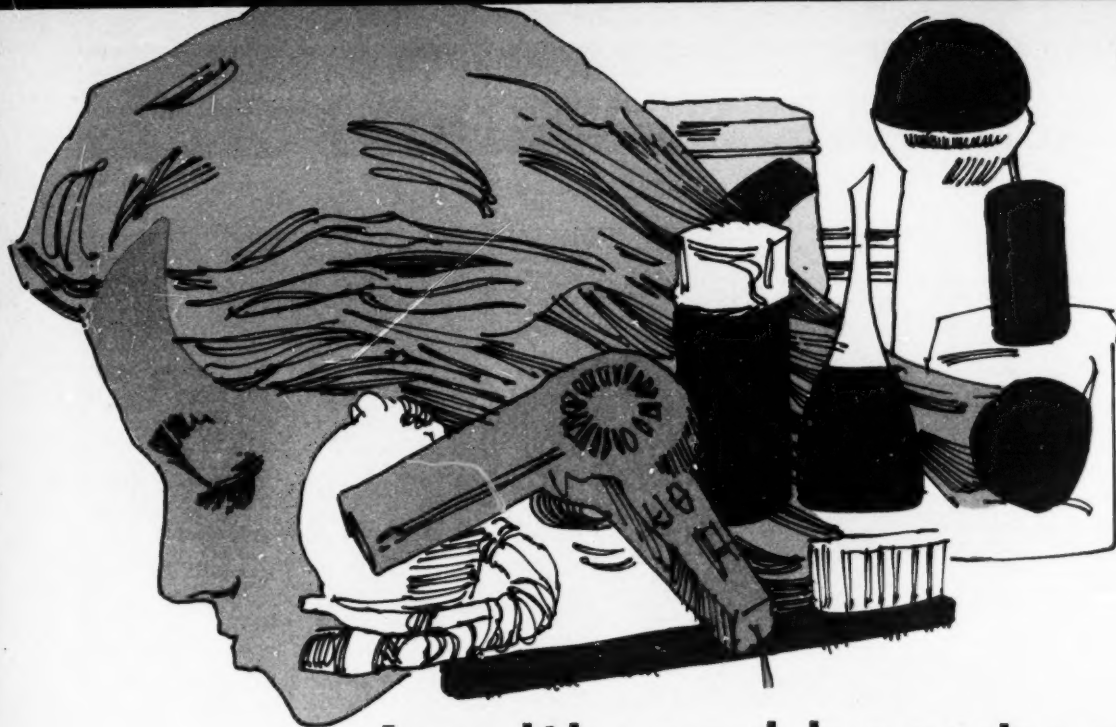
Profile of Cheese* Sales (All Chains by Size)

	Share of Total Vol.	Avg. Per-Store Footage	Total Sales Per Store	Avg. Units of Sale	Avg. Monthly Gross Profit Per Ft.		
					25%	30%	35%
Total Chain Stores	100%	40	2,754	1,940	27.50	33.00	38.50
Under 3,000 Sq. Ft.	2	7	170	104	8.00	7.20	8.40
3-6,000 Sq. Ft.	2	34	1,400	1,060	14.25	17.10	19.95
6-12,000 Sq. Ft.	10	60	4,300	2,540	25.75	30.90	36.55
12-16,000 Sq. Ft.	20	94	5,507	3,727	30.25	36.30	42.30
16-20,000 Sq. Ft.	20	94	5,300	4,420	30.00	45.00	53.25
20-24,000 Sq. Ft.	10	110	5,000	4,701	31.75	38.10	44.45
Over 24,000 Sq. Ft.	10	100	11,354	8,173	30.25	47.10	54.95

*Excludes cottage cheese

Chart 23

cheese sales is provided in all chain stores on Chart 23. The two chain size groups—12,000-16,000 and 16,000-20,000 square feet—derive the largest average bimonthly sales of the seven size classifications and together account for an even 50% of total cheese sales. The largest category of stores—over 24,000 square feet—recorded the highest dollar and unit sales per month, however.



health and beauty aids and selected cosmetics

HBA Sales: Drug—Grocery—Mass Merchandisers
(25 Major Product Groups)

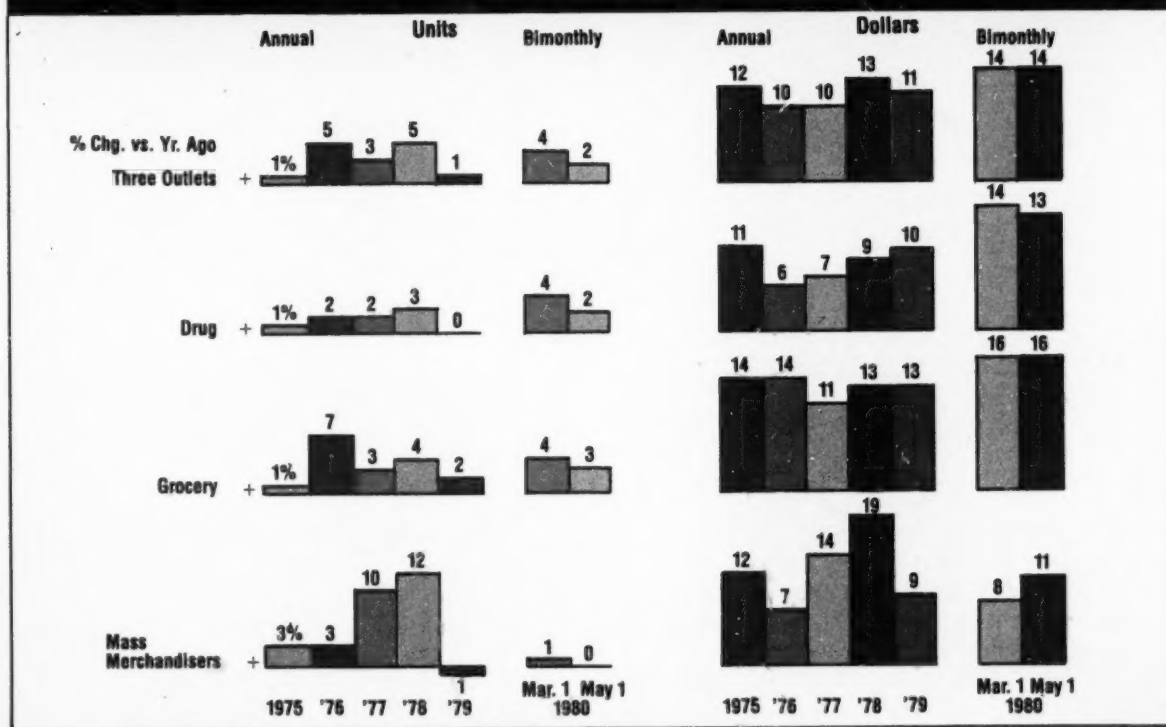


Chart 24

For the past two years, 1977 and 1978, mass merchandisers overshadowed both drug and grocery stores in recording sales gains in the important health and beauty aid sector.* The year 1979 told a different story (Chart 24). After posting a +12% increase in unit sales in 1978, mass merchandisers fell to a -1% in 1979, and dollar sales fell from a +19% to just +9%—the lowest for the three outlet types. Unit sales continued to show a weak trend during the first four months of 1980.

Unit sales of these items were scarcely robust in either drug or grocery outlets, but grocery stores did manage to post a +2% increase in 1979, and 1980 sales thus far have been on the plus side in both outlet types. Based on the last two recessions, it would appear that sales of HBA items stand up best in drug outlets during economic downturns. This same pattern occurred during 1974 when sales of these items

declined 4% in mass merchandisers while drug stores were posting a +2% gain and grocery stores were off only -1%.

Based on dollar sales only (Chart 25), grocery stores improved their share of sales of the 25 categories by almost a full point, to 49.2%. Both drug and mass merchandisers lost shares. This was the fifth consecutive share loss by drug stores in the HBA area and is primarily due to the weakness of the medium and small independent stores.

When examined by product group (Chart 26), the losses incurred by drug stores were not nearly so widespread as in the previous year (drug stores lost share in 24 of the 25 product groups in 1978). In fact, drug stores increased their share over a point in hair preparations and hair coloring and scored fractional gains in six other product groups. Their largest losses (2 points or more) occurred in hand lotions, home permanents and bath additives.

*Based on sales in 25 major HBA categories.

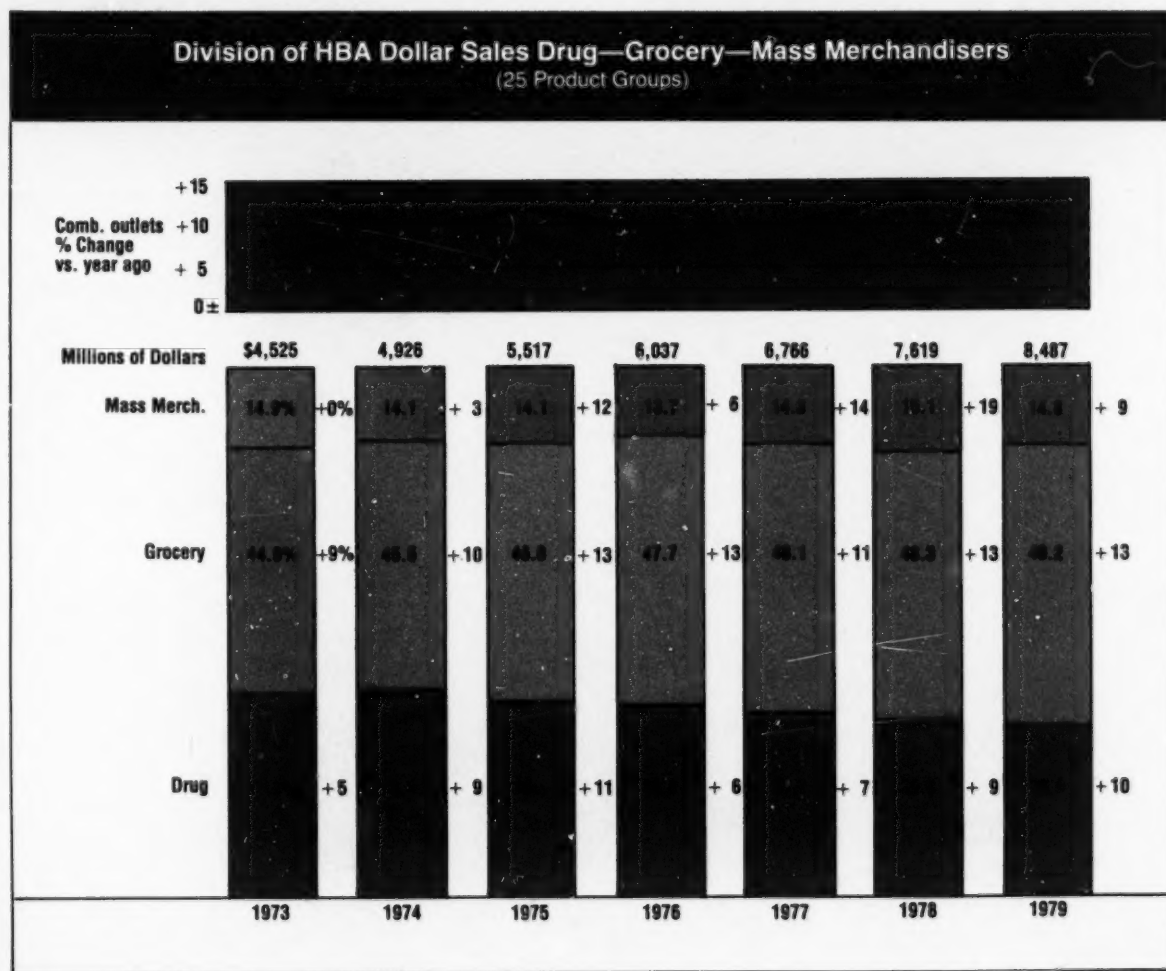


Chart 25

Division of HBA Sales by Outlet (Dollar Basis—1979)

	Drug	Food	Mass Merch.		Drug	Food	Mass Merch.
25 HBA		48.2	14.5	Disposable Diapers		77.8	11.1
Hair Preparations		64.8	18.2	Foot Remedies		18.8	9.9
Razor Blades		82.3	17.4				
				Shampoo		50.8	18.1
Aerosol Shave Cream		47.8	17.3	Deodorants		51.4	17.7
After-Shave		13.4	25.1				
Lotion & Cologne				Feminine Douches		38.8	14.7
Dentifrices		82.8	14.4	Sanitary Protection		61.0	12.0
Oral Antiseptics		83.4	17.1				
				Hand Lotions		53.8	17.3
Vitamins		14.0	8.5	Face Creams		30.7	18.1
Cold Tablets		47.3	9.8				
				Hair Coloring		17.0	21.5
Sinus Headache Remedies		47.8	8.9	Hair Fixatives		47.3	18.8
Topical Antiseptics		43.8	11.3	Home Permanents		18.2	28.2
Headache Remedies		51.0	9.9	After-Shampoo Products		42.1	18.0
Stomach Remedies		38.4	9.0	Bath Additives		30.5	17.5

Chart 26

HBA Retail Inventories by Outlet (25 Major Product Groups—Unit Basis)

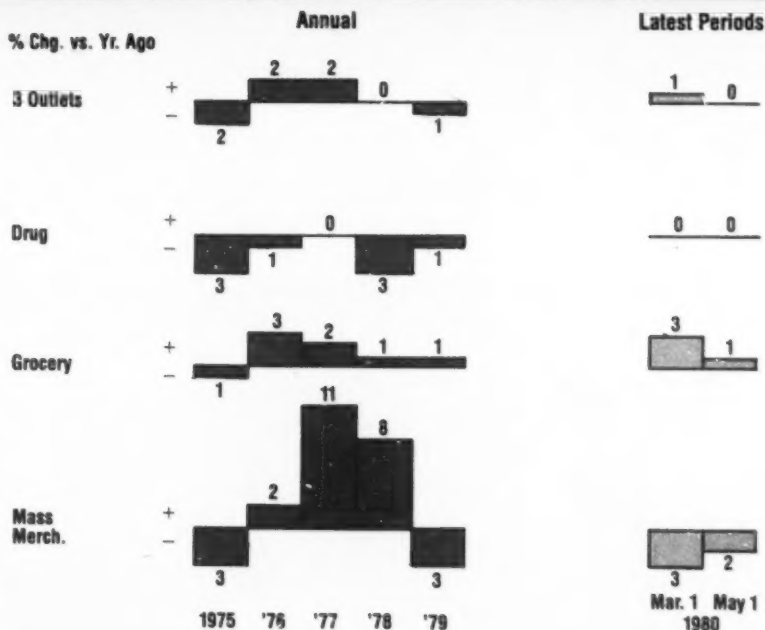


Chart 27

Selected Cosmetics* Sales by Outlet Type

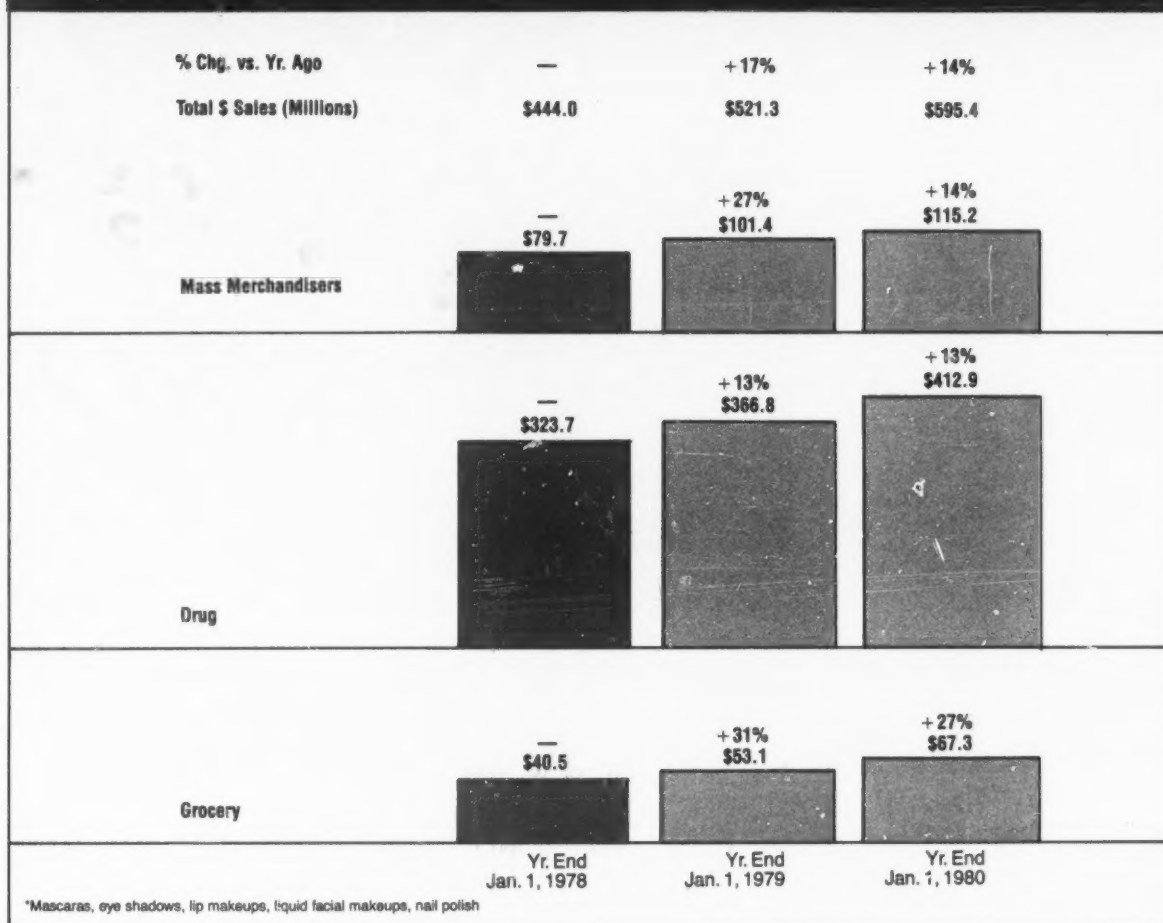


Chart 28

Drug stores continued to reduce their inventories of HBA's, -3% in 1978, -1% last year, with the most recent 1980 periods' stocks even with a year ago (Chart 27). Grocery stores, in contrast, are continuing to build their stocks of HBA's at a modest rate annually and even added to their inventories during the first four months of 1980. Mass merchandisers reduced their retail stocks by -3% in 1979 and continued this reduction at about the same rate during the first part of this year.

Cosmetics

The sales of a selected group of cosmetics recorded a slightly higher annual gain than HBA's in 1979 (+14% versus +11%) on a combined three-outlet basis with dollar volume reaching almost 600 million dollars. Sales gains in grocery outlets led the other two store types by advancing +27%, approximately twice the gain achieved by

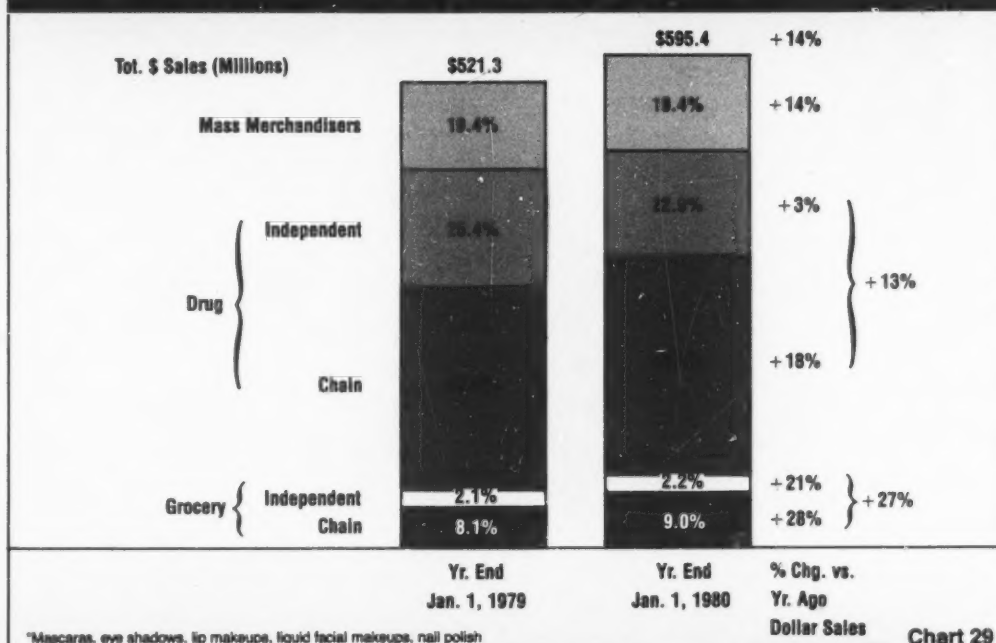
either drug or mass merchandiser outlets (Chart 28). In terms of total importance, however, sales of these items in drug stores were about six times that of grocery outlets.

When examined by share and by chain versus independents (for both drug and grocery outlets), the strengths and weaknesses within the trade classes become apparent (Chart 29). The entire share loss was at the expense of the independent drug stores, with chain drug up a point and a half over the previous year and chain food up almost a point. Noteworthy was the 28% increase in dollar volume by chain food stores, an indication they may become a force to be reckoned with in the future.

When examined by territory (drug and grocery only), wide variations are apparent in both the division of sales and growth by region (Chart 30). Drug stores recorded far above average gains in New England and

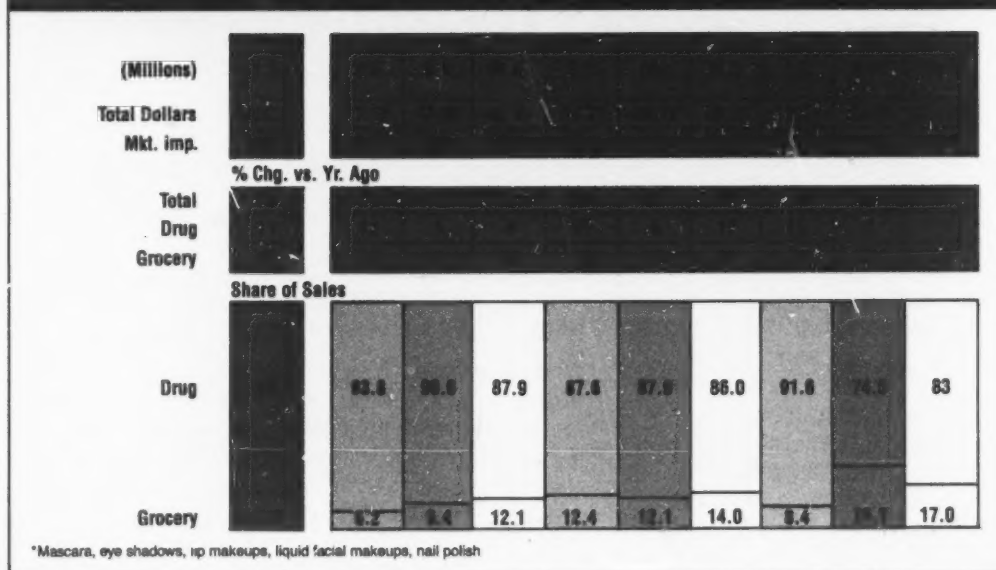
Selected Cosmetics* Share of Sales by Outlet Type

(Total U.S. Consumer Dollars)



Selected Cosmetics* by Territory—Drug and Grocery Only

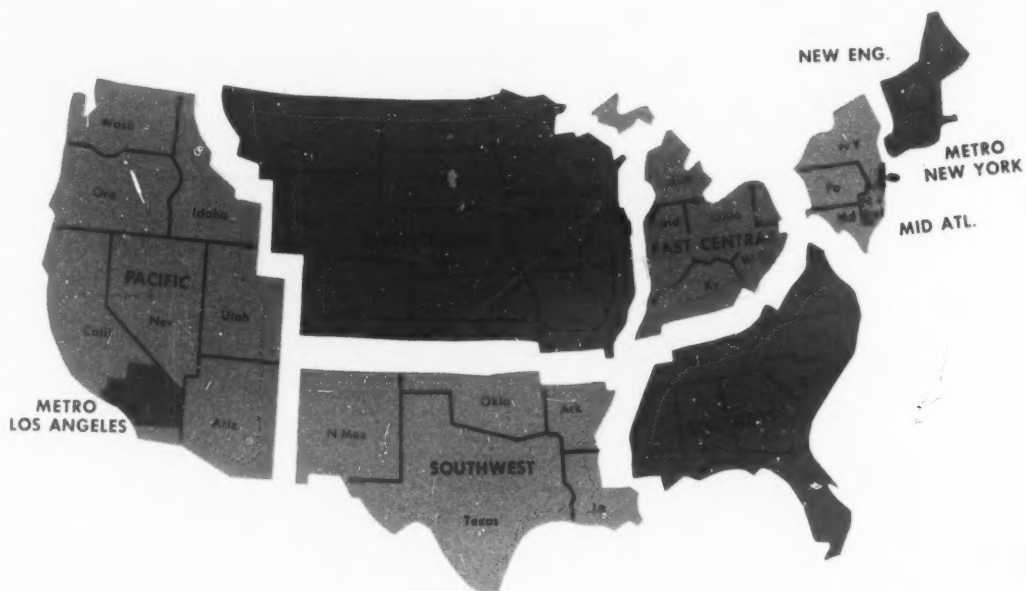
(12 Months Ending Jan. 1, 1980—Dollar Basis)



the East Central. Even so, there was a small share erosion in these two areas when compared to the previous year.

Share gains by grocery stores were achieved in every territory. The advances ranged from a fraction in New England to a gain of 2.4 points in the Middle Atlantic.

Nielsen Territories



A Special Note to Cooperating Stores

As most of you know, the original and still primary purpose of the Nielsen Annual Food Review is to provide our cooperators with the latest information available on the state, progress, and trends of the retail grocery industry.

We wish to extend our cooperators a friendly invitation to call or write us in those cases where additional details on subjects herein would be helpful. If the material is available, we will be more than happy to supply you with it.

Write:
Retailer Services Department
A.C. Nielsen Company
International Headquarters
Nielsen Plaza
Northbrook, Illinois 60062

Complete research — the data and the people to help you screen, plan, test, and monitor your brands.

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National facility for economically providing actual shelf samples of products currently on the market for either marketing or quality assurance needs.

STORE OBSERVATION SERVICE

A fast method of evaluating key conditions at the point of sale in retail outlets. SOS provides observations on shelf location, facings, price, availability, etc., reporting to clients as quickly as seven days after completed field work.

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MAJOR MARKET SERVICE-Comprehensive research reports from large, syndicated samples in any of 38 diversified metropolitan areas for testing or regional monitoring of your brands.

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DATA MARKET SERVICE-Minimizes the administrative problems of testing by providing warehousing and distribution services, as well as comprehensive store audits in these widely dispersed, smaller test cities.

RETAIL INDEX SERVICES

Continuous national and regional measurements of consumer sales and sales influencing factors at the retail outlet for manufacturers of consumer packaged goods.

ALCOHOLIC BEVERAGE SERVICE

Liquor, wine and malt beverage reports detailing consumer sales, retailer purchases, inventories, distribution and the like in selected markets.

SCANNING SERVICES

LOCAL SCANTRACK-Provides weekly sales results plus a weekly review of store displays, in-store flyers, coupons, newspaper advertising and other observations. Currently, the markets of Rochester, N.Y. and Seattle are available with other markets to follow.

NATIONAL SCANTRACK-Is designed as a supplement to the Nielsen Food Index Service. Since National ScanTrack will provide all of the identical in-store information offered by the local service, it becomes a powerful analytical tool in giving greater insight into the functioning of the market place on a weekly basis.

Marketing Research

Marketing Research Group USA A.C. Nielsen Company

International Headquarters
Nielsen Plaza
Northbrook, Illinois
60062

Marketing Research Regional Offices

ATLANTA

62 Perimeter Center East, N.E.
Atlanta, Georgia 30346
404/393-1010

BOSTON

40 William Street
Wellesley, Massachusetts 02181
617/237-6100

CHERRY HILL

Barclay Pavilion
Route 70
Cherry Hill, New Jersey 08034
609/795-5454

DALLAS

Two Metro Square Building
2665 Villa Creek Drive, Suite 125
Dallas, Texas 75234
214/620-0225

FT. MITCHELL

211 Grandview Drive
Ft. Mitchell, Kentucky 41017
606/331-7800

HACKENSACK

401 Hackensack Avenue
Continental Plaza
Hackensack, New Jersey 07601
201/343-3600

MENLO PARK

70 Willow Road
Menlo Park, California 94025
415/321-7700

NEW YORK

1290 Avenue of the Americas
New York, New York 10104
212/956-2500

NORTHBROOK

Nielsen Plaza
Northbrook, Illinois 60062
312/498-6300

WESTPORT

830 Post Road East
Westport, Connecticut 06880
203/226-6851

LEVIS: GM REPORT

Demographic data holds key to purchasing

Our continuing search for answers to GM marketing questions took us to the 1978 Redbook Survey, the last nationally projectable source of data on demographics and purchasing for 25 or more specific GM product groups.

This heretofore unpublished analysis quantifies the relationship be-

tween store demographics and GM purchasing. It studies specific products in relation to their sensitivity to customers' age, income, employment and population density.

Indexes given are based on incidence of purchase of specific products. They relate the buying behavior of demographically sorted

groups of shoppers to that of the total sample. A 2+ rating, for example, means shoppers in that group are approximately 20% more likely to purchase a product than shoppers in the total sample.

The totals line on the survey chart gives summary performance for all GM products. Reading left to right, it tells us that shoppers under 35 years of age (3+) are better GM supermarket customers than their older counterparts (1-). Shoppers with higher incomes, over \$10,000 (1+) and over \$20,000 (1+), purchase more GM than do those with lower incomes (2-).

Employed women, both full-time (1+) and part-time (1+), are somewhat better GM customers than unemployed women (0-). Large metropolitan areas are the best areas for GM supermarket purchasing (1+), followed by small town rural areas (0+).

Each of the 27 categories analyzed individually gives insight into expected performance in specific stores. Automotives, for example, are bought mostly by young shoppers (3+) with incomes over \$10,000 (1+) who are employed full-time (2+) and live in small towns or rural areas (1+).

Children's toys are bought in supermarkets by young shoppers (10+) with higher incomes (1+) who are employed part-time (2+) and who live either in small towns or large cities (1+).

Research data combined with customer profiles may provide some of the answers to buying right for individual stores.

GM sensitivity to demographic factors*											
☐ Positive ☐ Negative	Age		Income			Employment			Population Density		
	Under 35 yrs.	Over 35 yrs.	Under \$10,000	\$10-\$20,000	\$20,000 plus	Fulltime	Parttime	Not	Small town rural	Cities under 2 million	Metro 2 million +
Greeting cards	2+	1-	3-	1+	2+	1+	1+	0-	2-	0-	2+
Magazines	2+	1-	1-	6+	1+	1-	0+	0+	0+	1-	1+
Women's hosiery	2+	1-	2-	0-	3+	4+	1+	2-	0+	1-	1+
Sewing notions	1+	0-	3-	1+	2+	0-	0-	0+	1+	0+	2-
Children's wear	11+	4-	2-	1+	1+	1+	3+	1-	2+	1-	1-
Film, flash cubes	5+	2-	2-	0+	2+	1+	1-	0-	0-	0-	1+
Paperback books	3+	2-	3-	1+	3+	2+	0+	1-	1-	1-	3+
Light bulbs/elec. acc.	3+	1-	2-	0+	1+	1+	1-	0-	1+	1-	1-
Children's toys	10+	3-	2-	1+	1+	0-	2+	0-	1+	1-	1+
Photofinishing	3+	1-	2-	1+	2+	1+	1-	0-	1-	1-	2+
School supplies	4+	1-	1-	1+	1-	2-	2+	0+	0-	0-	0+
House plants & acc.	4+	1-	1-	0-	1+	2+	0+	1-	0-	0+	0-
Men's/boys' socks	2+	1-	1-	1+	0+	1+	1+	1-	2+	1-	1-
Auto accessories	3+	1-	2-	1+	1+	2+	1-	1-	1+	1-	1-
Sandals/sneakers	3+	1-	2-	1+	0+	1-	1+	0+	1+	1-	0+
Men's/boys' underwear	2+	1-	2-	1+	1+	1+	1+	1-	1+	1-	0+
Children's books	10+	3-	1-	1+	1-	2-	3+	0+	1+	1-	1+
Kitchenware	2+	0-	2-	1-	4+	2+	1-	1-	1-	1-	3+
Stitchery	1+	0-	2-	2+	0-	1-	1+	0+	1+	2-	1+
Household hardware	6+	2-	2-	2+	0+	1-	0-	0+	1+	1-	0+
Kitchen towels	2-	1+	1-	0-	2+	0-	0-	0+	1+	1-	0-
Pet accessories	7+	2-	1+	0-	1-	1+	2+	1-	1+	1-	1+
Candles	1+	0-	3-	0-	4+	0+	0-	0-	2-	1-	3+
Bath towels	3-	1+	2-	1+	1+	1+	0-	0-	1+	2-	1+
Infants' accessories	16+	5-	2+	1-	2-	5+	0+	2-	1+	1-	1+
Household glassware	1+	0-	2-	0+	2+	1-	0-	0+	2+	1-	1-
Dinnerware	2+	0-	2-	1+	1+	1-	7+	1-	1+	2-	1+
GM total (27 categories, no H&BA)	3+	1-	2-	1+	1+	1+	1+	0-	0+	1-	1+

*Based on incidence of purchase of respondents classified by demographic characteristics, relative to incidence of purchase of total sample.

Source: 1978 Redbook General Merchandise Survey data interpreted by the Allen Levis Organization Inc., 1980.



Allen Bud Levis is president of the Allen Levis Organization.

How to evaluate panel data

A recent analysis of panel data by TRIM shows different age profiles of those buying a paper product. While families whose household head is 25-34 years of age buy almost 22% of the total product, nearly 38% of those purchasing the national brand are in that age group.

This finding supports the contention that the national brand is important to the younger segment of customers, those who have the potential to be loyal customers for many years.

Additional analysis can give further insight into advertised specials as well as the most effective media to use.

The best way to evaluate advertising is to find out whether the ad brings in new shoppers. Increased volume of an advertised product is usually due to one of three reasons:

some people are stocking up; regular customers who haven't bought the product in the past are buying it now; and shoppers who are new to the store are making purchases.

The purpose of an ad, of course, is to bring people into the store. If the scan panel reveals that all of the increased volume comes from regular shoppers stocking up, then the ad is not effective.

If, however, the scan panel reveals that stocking up by regular shoppers accounts for a 10% increase in sales—but total store product sales increased 20%—it means 10% was bought by new shoppers. This provides a measure of the ad's effectiveness in bringing in new shoppers.

For example: Sales of a new national brand canned soup account for 10% of total canned soup sales.

The buyer wonders if this is additional volume or whether it is at the expense of national or private label.

Scan panel data reveals that of those shoppers who bought the new soup, 80% had previously purchased a national brand and 20% had purchased private label. Thus the chain buyer found that the new

product is cannibalizing national label soup.

In another example, the buyer considered discontinuing a slow-moving item. Scan panel data revealed that 85% of shoppers are buying the item, but infrequently and in small quantities.

If the chain uses sales volume as the sole criterion, the item would be discontinued, but the store could be "turning off" 85% of its shoppers. The scan panel zeros in on the central question: Do a lot of people buy a little or do a few people buy a lot?

How often? Frequently the volume of a new product looks promising for the first month or two. However, volume may be due to one-time purchasers or to both one-time purchasers and repeat purchasers.

One of the functions of the scan panel is to identify the volume of each.

If a new product's volume is due to one-time buyers, the product's long-term probability for success is limited.

The scan panel is so new that only a handful of retail chains are using it. The question for the supermarket is whether to make the commitment to scan data, including scan panel data, in order to improve his retail decisions. □



Who buys paper products?

Age	Total category	Private label	Leading national brand
Under 25	7.3	5.6	7.3
25-34	21.8	18.4	37.6
35-44	22.4	18.9	27.7
45-54	18.8	27.1	11.0
55 and over	29.0	29.0	16.4

Panel data shows the national brand of paper product is favored by the 25-34 age group. Note: Figures do not appear to add correctly because only one of more than a dozen national brands tracked is shown.

Source: TRIM Inc.